US politics
Three-horse race for the White House
Page 14

Who speaks for the workers?
Ford's hard choice between German and British models
Page 10

Surveys
● *South Africa*
● *Vehicle makers*
Separate sections

Tomorrow's Weekend FT
Jerusalem the powderkeg

FINANCIAL TIMES

Friday June 5 1992 — EUROPE'S BUSINESS NEWSPAPER — D8523A

G7 rejects call to finance fund for environment

The leading industrial countries closed ranks at the Earth Summit in Rio de Janeiro in the face of demands from developing countries for more aid to clean up the environment.

G7 environment ministers affirmed that any extra money would be channelled through the World Bank's existing global environment facility, and not through a new multi-billion-dollar Green Fund, which developing countries favour. Page 16; Details, Page 6

Maxwell: Administrators of the collapsed Maxwell empire launched legal action in New York to obtain information on millions of dollars of assets they believe Maxwell companies transferred to Liechtenstein-controlled companies. Page 16

KLM Royal Dutch Airlines swung back into profit in 1991-92, prompting a resumption of dividend payments. A cost-cutting programme and a higher proportion of first-class and business-class passengers helped KLM post a net profit of Fl 125m ($69m). Page 17

Russian appointments: The Russian government appeared to be in turmoil at the appointment of three senior ministers with different philosophies to those of the free-marketers. Page 3

Hanson, Anglo-US conglomerate, and Bechtel, engineering and construction company, may combine forces over their approach to Canary Wharf in London's docklands. Page 16

Lloyd's of London has moved to bolster its solvency by doubling the size of its central fund to £1bn ($1.8bn) by a compulsory charge on all 22,400-plus Names. Page 16

Nestlé, Swiss food multinational, revealed that EC anti-cartel investigators are challenging its FFr15.45bn ($2.8bn) bid for Perrier. Page 17; Editorial Comment, Page 14

Young Elvis wins seal of approval

A picture of the young Elvis Presley (left) is to appear on special US postage stamps from next January. The US Postal Service held a referendum to decide whether Elvis should be depicted at the beginning or the end of his career. More than 1m people voted, the young Elvis outpolling the older incarnation by 3-1.

Siege continues: The siege of Sarajevo, capital of Bosnia-Hercegovina, enters its third month today, as Serb militia groups continue to try to starve the city into submission. Page 4

EC retreats on HDTV: The EC has given up trying to persuade satellite operators, equipment manufacturers and broadcasters to sign a document legally binding them to promote high-definition television (HDTV). Page 4

Concern over HK airport: China's delay in approving financing plans for Hong Kong's new airport is causing concern among managers of the HK$120bn ($15.3bn) project. Page 7

Bombay police move in: Police raided homes and offices belonging to Harshad Mehta, the broker at the centre of the Indian securities scandal. Mr Mehta was taken in for interrogation. Page 7

Euro Disney, which opened its theme park outside Paris in April, is postponing the launch of the second phase until 1996. Page 18

BCCI: Egypt is to refloat the local subsidiary of the collapsed Bank of Credit and Commerce International, but local bankers are not enthusiastic about sharing the $800m bill. Page 20

Blue Circle, Britain's biggest cement manufacturer, launched a £241.6m ($435m) rights issue to help pay for an acquisition which would make it one of Europe's largest manufacturers of domestic heating products. Page 17; Lex, Page 16

Japanese growth: The Japanese government expects the economy to grow at an average rate of 3.5 per cent annually over the next five years. Page 7

Maze escapees held: James Smyth and Kevin Artt, two of the IRA prisoners who broke out of Belfast's Maze Prison in 1983 have been captured in California.

US Forest Service is to change its forest management philosophy in a move that could sharply alter logging practices and help to revive indigenous tree species. Page 6

Topic of concern: A software problem caused a prolonged failure in the London Stock Exchange Topic information service making share price quotations "indicative" and not binding on market-makers. Page 22

STOCK MARKET INDICES

FT-SE 100:	2,681.3	(+4.0)
Yield	4.53	
FT-SE Eurotrack 100	1,184.92	(-1.89)
FT-A All-Share	1,300.37	(+0.0%)
Nikkei	17,854.87	(-224.61)
New York lunchtime:		
Dow Jones Ind Ave	3,404.91	(-2.08)
S&P Composite	414.30	(-0.29)

US LUNCHTIME RATES

Federal Funds:	3¾%	
3-mo Treas Bills: Yld	3.778%	
Long Bond	101⅜	
Yield	7.817%	

LONDON MONEY

3-mo Interbank	10%	(10½)
Liffe long gilt future:	Sep 98¾	(Sep 98 31)

NORTH SEA OIL (Argus)

Brent 15-day July	$21.00	(21.125)

Gold

New York Comex	$340.7	(338.7)
London	$338.55	(338.5)

STERLING

New York lunchtime:		
$	1.8165	
London:		
$	1.8265	(1.8165)
DM	2.9775	(2.915)
FFr	9.83	(9.8175)
SFr	2.67	(same)
Y	232.75	(232)
£ Index	92.5	(92.4)

DOLLAR

New York lunchtime:		
DM	1.6048	
FFr	5.398	
SFr	1.468	
Y	127.8	
London:		
DM	1.5995	(1.6045)
FFr	5.385	(5.405)
SFr	1.463	(1.4695)
Y	127.55	(127.75)
$ Index	63.0	(63.2)
Tokyo close Y 127.7		

Austria	Sch30	Hungary	Ft192	Malta	Lm0.50	S.Arabia	SR9.00		
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10		
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200		
Cyprus	CC1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14		
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00		
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50		
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000		
Finland	FM10	Korea	Won 2500	Philippines	Peso45	Turkey	L6000		
France	FFr8.50	Kuwait	Fils.500	Poland	Zl 18,000	UAE	Dh9.00		
Germany	DM3.20	Lebanon	US$1.25	Portugal	Es160				
Greece	Dr250	Lux	LFr60	Qatar	QR10.00				

Ministers seek to play down crisis but rule out renegotiation of treaty

EC keeps door open for Danes

By David Buchan and Robert Mauthner in Oslo

DENMARK'S European Community partners yesterday promised to "keep the door open" for it to change its mind and join the European union, enshrined in the Maastricht pact that Danish voters rejected on Tuesday.

EC foreign ministers mounted a show of solidarity, with Denmark's 11 partners declaring that they would pursue ratification of Maastricht "on the basis of the existing text" by the end of the year.

They said there would be no re-negotiation of the treaty, and ruled out holding a special summit of EC leaders to deal with the crisis.

Though it was an emergency session, held after a Nato meeting, all ministers sought to play down the crisis, in spite of its potential to sabotage painstakingly negotiated plans for political and monetary union.

Mr Uffe Ellemann-Jensen, Denmark's strongly pro-EC foreign minister, joined his 11 colleagues in a statement confirming that they wanted "to see the European Union established by all member states".

He was well-received when he told the others that the Danish government acknowledged that Maastricht could not now be re-negotiated, that it would keep all its options open, and that it needed time to decide what to do next.

The Danish vote was "No to Maastricht, but not No to Europe", Mr Ellemann-Jensen stressed. Even the anti-EC minority in the Danish parliament concurred with that interpretation, he added.

Denmark's partners, discreetly encouraged by the Danish government, clearly hope that ratification by the 11 other states will exert growing pressure on Danish opinion as this year wears on. "We need a period of calm reflection", said Mr Douglas Hurd, the UK foreign secretary, echoing the sentiment of ministers that those most in need of reflection were the Danish people.

"We, British, will go forward with our legislation to ratify Maastricht", said Mr Hurd. But he added that the Danish referendum "has had an effect on some of those among the British people who were prepared to give Maastricht the benefit of the doubt in the first instance". This had, he said, to be taken into account.

Mr Joao de Deus Pinheiro, the Portuguese foreign minister and current president of the EC council of ministers, praised the "solidarity and cohesion" shown by ministers in "the one of the most remarkable meetings of my Community experience". Mr Jacques Delors, the Commission president, whose brainchild of monetary union is now at risk, added that "even if we have a little crisis, we shall overcome it".

But the solid front by ministers was partly made possible by the fact that they deliberately shoved into the future consideration of the legal complexities raised by the possibility of Denmark being left behind by its partners.

EC legal experts will be meeting their Danish counterparts, but any of their findings will not be ripe for political decision "for the next few weeks or months".

Mr Hurd said he expected yesterday's session would be the first of a series of ministerial discussion on Denmark's future and the fate of Maastricht, which has still to be definitively ratified by any EC state. Its next test is Ireland's June 18 referendum.

But Mr Pinheiro ruled out advancing the June 26-27 Lisbon summit to discuss the Danish-caused crisis, or convening any special summit. "What could leaders say that we haven't already said today", he said yesterday. Indeed, Mr Hurd doubted whether the Danish problem would even be discussed at Lisbon, such is the desire of EC governments to pretend that they are conducting business as usual.

Nevertheless, the crisis over Maastricht, if it remains unresolved beyond this year, is sure to delay accession negotiations by Sweden, Austria, Finland and Switzerland who have all applied to join the EC. While these countries are not expected to be deflected by the Danish vote from pursuing EC membership, the effect may be different in Norway. "This will be the only meeting of EC foreign minister in Oslo this century", predicted a Norwegian official.

Table talk: Joao de Deus Pinheiro, Portuguese foreign minister and president of the EC council of ministers, in conversation with his pro-EC Danish counterpart, Uffe, Ellemann-Jansen, before yesterday's meeting of EC foreign ministers in Oslo

Maastricht in the balance, Page 2
Joe Rogaly, Page 14
International bonds, Page 21
Currencies, Page 42
World stocks, Sctn II Back Page
London stocks, Page 35

Japanese agree to buy more US-made microchips

By Steven Butler in Tokyo

JAPANESE electronics companies yesterday agreed to buy more US-made semiconductor chips in an attempt to head off a damaging trade row and the threat of US sanctions.

Japan's 10 largest semiconductor users, who account for half of the $20bn market, committed themselves to a plan to increase purchases of foreign semiconductors during the next six months.

Foreign semiconductor sales in Japan have stagnated at just over 14 per cent of the market for the past two years.

The US and Japanese governments agreed last year that foreign semiconductor sales in Japan should reach 20 per cent of the market by the end of this year, but it is feared that first quarter figures to be announced on June 12 will show a decline from the 14.4 per cent registered at the end of 1991.

Under the plan, the 10 companies will provide US suppliers with confidential semiconductor purchase plans in order to aid marketing efforts. The companies agreed to issue internal company memoranda to all employees expressing commitment to boost foreign purchases, and would give copies to the US industry.

The Electronic Industries Association of Japan (EIAJ), the industry association, said yesterday its members would boost foreign suppliers' market share by increasing purchases from foreign companies faster than the expected growth of the market in the second half of the year.

The Semiconductor Industry Association, the US trade association, said it would publish for the first time a "flash report" covering monthly bookings data.

"We want to see action [toward increased orders] in the next 30 days," said Mr Wilfred Corrigan, chairman of LSI Logic, the US semiconductor maker.

That action would have to be taken quickly in order to influence an investigation, to be published in August, of the US-Japan pact launched recently by Mrs Carla Hills, the US trade representative. A finding by Mrs Hills that the Japanese were not keeping their side of the agreement could be politically explosive during the US election campaign.

Midland to sell Thomas Cook for £200m

By Peggy Hollinger in London and Christopher Parkes in Bonn

MIDLAND BANK yesterday announced the sale for £200m ($364m) of Thomas Cook, one of the oldest names in the world travel industry and the inventor of the traveller's cheque, to Germany's third-biggest package tour operator, LTU.

Midland said the sale was unconnected to the £3.9bn recommended takeover bid for the bank by Hongkong and Shanghai Banking Corporation. It said Hongkong Bank was informed in advance and was happy for the sale to go ahead.

The announcement that Midland was selling the travel agent and financial services group was greeted with some surprise in the travel industry, where a deal had not been expected until after the bid was resolved. However, it had been known for 18 months that Midland had planned to sell Thomas Cook.

Midland, which bought Thomas Cook from British Rail in 1972 for £20m, expects to report a net extraordinary gain of £99m. The proceeds will be used to develop core businesses.

The original Thomas Cook, a dedicated 19th century teetotaller, is credited with the invention of the package holiday. His first tours in 1841 – one-shilling day trips in the Midlands – were an innovative attempt to wean the working classes from the gin bottle.

Within 25 years, Thomas Cook claimed a million clients. Today the company runs 1,600 outlets in more than 100 countries.

LTU, and its 34 per cent shareholder, Westdeutsche Landesbank, will acquire 90 per cent and 10 per cent of Thomas Cook respectively. Although the deal has been referred to the European Commission for standard approval, both parties said it was unlikely to meet any EC obstacles.

LTU is the only group in Germany offering charter flights and tour packages. In addition to its large tour operation, LTU is Germany's largest charter airline carrier. Operating profits last year were DM68m ($42.2m) on turnover of DM2.5bn.

Thomas Cook will continue to run bureaux de change in 103 Midland branches in Britain. Mr Peter Middleton, chief executive of Thomas Cook, said a five-year contract based on a percentage of turnover was being negotiated.

Lex, Page 16
A ticket on the road to European growth, Page 17

$780m Hongkong Bank loan makes it biggest O&Y lender

By Bernard Simon in Toronto

HONGKONG and Shanghai Banking Corporation was revealed yesterday as Olympia & York's biggest creditor. It has a total exposure of at least US$780m and collateral currently worth far less than the principal amount.

A bulky document filed by O&Y with the Ontario Court of Justice also identifies Japanese banks among O&Y's most generous lenders. Six Japanese institutions are major participants in a $500m term loan led by Citibank and secured by O&Y's shareholding in Carena Properties, a property company which is controlled by Toronto's Bronfman family.

The document was filed as part of creditors' efforts to determine the true financial condition of the once-secretive developer. It contains details, including collateral and guarantees, of all borrowings by O&Y Developments – the Reichmann family's main holding company – and the 28 Canadian subsidiaries which sought court protection on May 14.

No jubilation at the end of the line ....Page 15
Hanson and Bechtel in talks on Canary Wharf ....Page 16
Secret life of O&Y ....Page 19

The debt of these companies totals about two-thirds of O&Y's total debt of C$13.5bn (US$11.2bn) but does not include direct loans to Canary Wharf or to the company's 20 or so buildings in the US. Two British banks, Barclays and Lloyds, have a substantial direct exposure to Canary Wharf.

O&Y's biggest lender was previously assumed to be Canadian Imperial Bank of Commerce, which last week disclosed an exposure of C$860m.

HSBC provided US$750m of a $2.5bn jumbo loan negotiated in 1989. In addition, Hongkong Bank of Canada, a wholly owned subsidiary, advanced C$32m in demand loans. The security for the jumbo loan consists of O&Y's stakes in Abitibi-Price and Gulf Canada Resources. Mr Alain Tuchmaier, banking analyst with McLean McCarthy in Toronto, calculates the current market value of the shares pledged to HSBC at only C$588m.

The most heavily exposed Japanese banks are Tokai and Dai-Ichi Kangyo. Tokai provided half of the Citibank-led $500m term facility. Dai-Ichi Kangyo contributed $180m towards the jumbo loan. Citibank itself advanced only $25m. According to Mr Tuchmaier, the security provided for the Citibank loan is now worth C$173m, less than a third of the principal amount. Japanese institutions are also known to have lent heavily to several O&Y properties in New York.

CONTENTS

Community's strategy is to carry on as if nothing happened, pushing legalities to one side

Partners leave Danes to ponder their fate

By David Buchan in Oslo

FOR ALL the high stakes riding on the outcome of the European Community crisis, caused by Denmark's rejection of the Maastricht treaty, the simple, not to say simplistic, strategy of all 12 states is to try to carry on as though the earthquake had never happened.

The game plan of Denmark's 11 partners is politics first, legalities later. They hope to plod through the Maastricht ratification, negotiating such tricky obstacles as the June 18 referendum in Ireland, the autumn plebiscite in France, and the crucial November-December vote in the German parliament, so that by year-end they will have notched up 11 acts of ratification with which *to confront the Danes.*

Only then would the Danes be asked to choose. It would not be a repeat of the question put to voters this week – do you want Maastricht's political and monetary union or not? – but something more menacing. It could run on the lines of: "Since, by our acts of ratification, we have shown you that we intend to transform the Community into Maastricht-style European union (whether you like it or not), the old-style Community soon will no longer exist. This gives you the choice of joining us in the union, or negotiating some kind of associate status."

The strategy would depend on maintaining that the rejection is basically a Danish problem. It is a strategy in which the Danish government appears to be conniving.

Mr Uffe Ellemann-Jensen, Danish foreign minister, said in Oslo yesterday, *before* meeting his EC counterparts in emergency session, that he would not be asking to renegotiate Maastricht "because we know that would be impossible". Echoing other ministers, he said: "I think we all need a long time for reflection." What that means in practice is making the Danish people sweat out, over the coming months, the consequences of their vote on Tuesday.

What is psychologically worse for Danes is that they will be left pondering imagined, as much as real, effects of their decision. For all the talk of EC legal experts, poring over *the complexities thrown up by* the Danish vote, it will probably be months before Danes get a precise idea of their isolation.

There are several practical reasons for this. No real isolation will emerge until the 11 start chalking up ratification successes. In the meantime, as a UK official said yesterday, they "do not want to slam any doors or rule out procedures which would prevent Denmark becoming a full member of the European union eventually". Nor is there any clear idea yet which door to slam.

What is worse is the Danes will be left considering imagined, as much as real, effects of their decision

Whatever the Danes signalled this week, they did not vote to leave the present Community from which, as the members with the highest average income, they draw a net financial benefit. But a period of reflection would be a deliberate ploy to leave the Danes in the dark, where imagined nightmares are often worse than real ones.

Not everyone has been able to restrain themselves from being more explicit.

"If the Danes don't want to join us, and won't leave the Community themselves, then we will just move the house," said a French foreign ministry official yesterday. According to this theory, which is gaining currency, the 11 would denounce the Treaty of Rome, take its substance, add Maastricht and leave Denmark in an empty wing of the new house called European Union.

At first, according to this scenario, Denmark might share in much activity of the European Union, particularly regarding the single market. But it might lose, or have reduced, its representation in the Council of Ministers, Commission and parliament. This might well jeopardise Copenhagen's planned EC presidency for the first half of 1993.

As time went on, Denmark might find itself squeezed out of the single market, or at least without a proper say in the updating of environmental or social policy. That would be ironic in view of the Danish left's complaints against Maastricht that it left Brussels too inactive in raising labour and anti-pollution standards.

It would also leave Denmark worse off than European Free Trade Association (Efta) countries which have joined the EC in the new European Economic Area (EEA). This, imperfect though it is, gives the Eftans some say in shaping future EC *single-market laws that will* form the core of EEA legislation.

Europe's bond markets face upheaval

By Simon London

THERE was broad agreement among fund managers yesterday that the performance of European bond markets could be fundamentally changed by Denmark's rejection of the Maastricht treaty.

In the chaos following announcement of the referendum result, most European markets fell sharply, with a clear divide between losers and winners.

Italian and Spanish markets were worst hit, with bond prices *falling by about 1½* points at the 10-year maturity on Wednesday and continuing *to slide yesterday.* Bonds denominated in Ecu also fell sharply.

UK gilts suffered falls of up to a point on Wednesday but held firm yesterday. French bonds followed a similar pattern but German bonds escaped almost unscathed.

The underlying pattern is that high-yielding European bond markets – riding high on in-flows of international cash *as investors anticipated convergence* in the run-up to European monetary union – are most vulnerable.

Convergence theory is simple: with currencies fixed within the exchange rate mechanism (ERM) the inflation and interest rates of European countries will have to fall to the level of the country with the strongest currency in the system – Germany. Since government bond yields reflect interest rates and anticipated inflation, convergence theory states that bond yields should also converge.

Believers bought high-yielding European bonds – such as Spanish, Italian and UK government paper – anticipating *that yields* would fall towards German levels. As bond prices rose, holders were presented with a handsome capital gain.

At the level of pure economic logic, nothing in this argument is threatened by the outcome of the Danish referendum. Whether the Maastricht treaty stands or falls, bond yields should converge under a system of fixed exchange rates.

"The ERM is going to remain intact, but problems with ratification of Maastricht will highlight markets where the economic fundamentals are not strong," said Mr Keith Jones, head of fixed income fund management at Lazard Investors.

Investment managers yesterday pointed to three main reasons for falling bond prices:

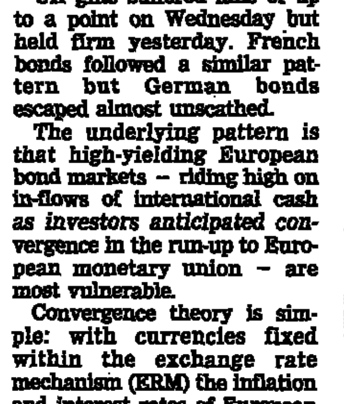
● Convergence theory was so popular that bond yields were *running ahead of* economic fundamentals.

Inflows of international funds into Spain, Italy and the UK pushed bond yields lower despite the fact that inflation and government borrowing remained stubbornly high. In these circumstances there was always the risk of a sharp correction.

● The prospect of currency union under Maastricht was the main incentive for European governments to bring interest rates and inflation into line with their neighbours.

Economic convergence can be painful. If the goal of monetary union is removed, or indefinitely postponed, there is less reason to submit to ERM discipline, in particular the low wage settlements and high interest rates needed to bring inflation under control.

"It was clear earlier this year that there was going to be *disenchantment with the rigours* required to meet the Maastricht criteria," said Mr Terence Prideaux, fund manager at Kemper Investment Management in London.



● Aside from the full-scale breakdown of the ERM, the biggest fear of bond market investors is a hidden devaluation of high-yielding currencies through realignment of the mechanism. Gains made by holding appreciating bonds would be wiped out by exposure to a depreciating currency. With Maastricht in place and the timetable for monetary union set, a revaluation of the ERM was seen as unlikely. Any threat to that timetable fuels speculation *that some governments would* be happy to see their currencies devalued to ease the pain of convergence.

On Wednesday and yesterday, Italian bonds suffered from renewed fears of devaluation, since the lire is one of the weaker currencies in the ERM. This was also a factor behind the fall in UK gilts, although most UK fund managers believe fears of a sterling devaluation are unjustified.

In the aftermath of the Danish vote, fund managers are again looking at the economic factors determining government bond yields: interest rates, inflation and anticipated supply of new bonds to finance public sector deficits.

On this basis, markets such as France, Germany, the Netherlands and – ironically – Denmark could continue to benefit from flows out of high-yielding bonds. Yet Italy, Spain *and Portugal could suffer. The* position of the UK gilts market is less certain, with political stability balancing a weak currency and poor public finances.

French voters 'will back treaty'

By Ian Davidson in Paris

THE FRENCH will vote two to one in favour of the Maastricht treaty in a referendum, according *to a newspaper poll yesterday.*

The poll in the Parisien buttresses the government's decision to submit the treaty for ratification in a referendum, in response to the Danish No vote.

Meanwhile the conservative opposition parties yesterday displayed deep differences over the Maastricht treaty. In the Gaullist RPR party, General Secretary Alain Juppé formulated an ambivalent and uneasy attitude to the treaty, in an attempt to straddle the gulf between anti-Europeans and those moderately pro-Europe in the RPR. But Mr Jacques Chirac, the leader of the Gaullists, is so embarrassed by the intense conflict within the party that he remained silent for the second day running.

However, the government is aware of the danger thatthe electorate could decide to use the referendum to register a vote against an unpopular president, rather than in favour of the treaty.

Paradoxically, President Mitterrand was yesterday urged to put his presidency on the line in the referendum, by Mr François Bayrou, secretary-general of the centre-right UDF. "I do not see how the president can fail to take personal responsibility [in the referendum]," he said. "And I say that all the more strongly because I intend to vote Yes."

While Mr Mitterrand remains unpopular, Mr Pierre Bérégovoy, his new prime minister, has climbed steadily in the opinion polls since his appointment in April. The latest rating in Figaro Magazine gives Mr Mitterrand a popularity rating of only 37 per cent, compared with 60 per cent for Mr Bérégovoy, an unprecedented gap between president and prime minister.

The classic precedent for the government's misgivings was the referendum of 1969, when *the voters turned down President* de Gaulle's proposals for a reform of the Senate, and the president was forced to resign. In that case, the voters knew that the referendum was really just a pretext for a vote of confidence in the president.

Kohl and Major look for way to stay on road to Maastricht

Chancellor Helmut Kohl: facing growing public *scepticism about treaty*

By Quentin Peel in Bonn

AGAINST a background of growing popular scepticism in Germany about European integration, Chancellor Helmut Kohl and Mr John Major will today seek to co-ordinate their response to the Danish vote.

There is a clear division among top government advisers over *whether it will be* possible to press ahead with the plans without Denmark, or *whether changes will have to* be made to enable a new Danish referendum to be held.

The key is whether it will be possible to separate the Maastricht treaty on economic and monetary union (Emu), and on political union, from the existing Rome Treaty. For any amendments to that treaty would normally require unanimous ratification.

Some top German EC negotiators believe that it would be possible to press ahead with Emu outside the Rome Treaty, removing all references to existing EC institutions. They see this as a clear step towards a Community based on "variable geometry" – different combinations of member states *for different functions – which* they regard as inevitable in the light of the queue of new entrants.

Thus those countries carrying on to a single currency would become an inner core of the EC. Those who wish to pursue a closely-integrated common foreign and security policy could also provide another. And outer rings might be formed by eastern European countries wanting more than association, but less than full membership.

However there are also German advisers who believe it will be possible to accommo*date the Danes without stepping outside the Rome Treaty.* "We have some ideas, but we are waiting to see what the legal advisers in the Council of Ministers' secretariat say," one official said yesterday.

The official line from both the German and UK leaders is that the other 11 member states must press ahead with ratification, or lose the momen*tum of the integration process.* But they know that the uncertainty will cast a shadow over *the two other main issues on* the EC agenda: enlargement and the Delors 2 budget package to provide increased financial resources.

Mr Major is in an unusually strong position in relation to Mr Kohl, in the wake of his election victory, and with Britain in a better position to ratify the Maastricht treaty than Germany. In Bonn, the affair has become a serious constitutional struggle between the central government and the 16 Länder, seeking to assert their control over EC policy.

While the two appear to share much common ground on the need to press ahead with ratification, Mr Major has *the more difficult and delicate* task of persuading the Chancellor not to undermine Euro*pean co-operation by pulling* out of the European fighter aircraft project. But Mr Kohl is under heavy domestic pressure to cancel the deal, widely seen in Germany as unnecessary since the end of the cold war.

In Germany, public and private comments on the Danish vote have been remarkable for their tone of understanding, if *not open relief.* In spite of the commitment to European integration in all the main political parties, there is an awareness that the public mood is *increasingly sceptical.*

Ireland to go ahead with vote

By Tim Coone in Dublin

THE DUBLIN government remained adamant yesterday that it would press ahead with a referendum on the Maastricht treaty on June 18, despite growing pressure from opposition groups to postpone it, and mounting confusion over the issue.

An unlikely alliance of environmentalists, anti-abortionists, pro-abortionists, disarmament groups, centre-left politicians and pro-neutrality groups have joined voices in *calling for a postponement.* They say time should be given to assess the implications of *any efforts to resurrect the* treaty under a different format. This could mean another referendum would have to be held, rendering the June 18 one irrelevant, they say.

Growing schisms in the Yes camp suggest that the result of the referendum could now be very close instead of the expected large vote in favour.

The government's draft wording of the referendum is also likely to give encouragement to the No and anti-referendum campaigners. It is a page of text couched in highly legalistic terminology, which even well-informed voters are *likely to have difficulty* understanding, raising concern that many votes may be spoiled or *cast mistakenly.*

A government spokesman insisted yesterday, however, *that a "growing responsibility"* is now being thrust on Ireland to save the Maastricht treaty and that an all-out effort will be made to secure a Yes vote. He said the Danish decision "has removed any sense of complacency about the campaign" and added that "if Ireland did vote No, it would be a major blow to the EC".

D-Mark gathers strength from financial market nervousness

By Emma Tucker, Sara Webb and Tracy Corrigan

CALM RETURNED to Europe's financial markets yesterday as investors digested the implica*tions of Denmark's rejection of* the Maastricht treaty.

The D-Mark continued to benefit from nervousness that other European countries might renege on the financial disciplines of monetary convergence, while sterling and the Italian lira slipped closer to the bottom of the European monetary system grid.

In the European government bond market high-yielding securities, including stocks *issued by the Italian and Span*ish governments, continued to tumble as the Japanese joined European investors in the rush to sell.

In recent months, such high-interest bonds have drawn keen interest from investors hoping to gain from the convergence of European interest rates ahead of monetary union.

After the referendum result they no longer appear so *attractive.*

However, as some dealers took advantage of cheaper prices, some government bonds ended the day off their *lows.* German bonds remained the main beneficiary.

Ecu bonds, dogged by fears about their future in the wake of the uncertainty about monetary union, bore the brunt of the selling pressure. French bonds and UK gilt-edged securities held their ground.

"The worst is probably over now. We've seen the shake-out and we should see some recovery now, barring no other disastrous news," said a trader from a US bank.

Although the D-Mark continued to edge higher against other European currencies, it was with less momentum than on Wednesday.

After a two pfennig decline on Wednesday, sterling gained a quarter of a pfennig, closing *in London at DM2.9175.*

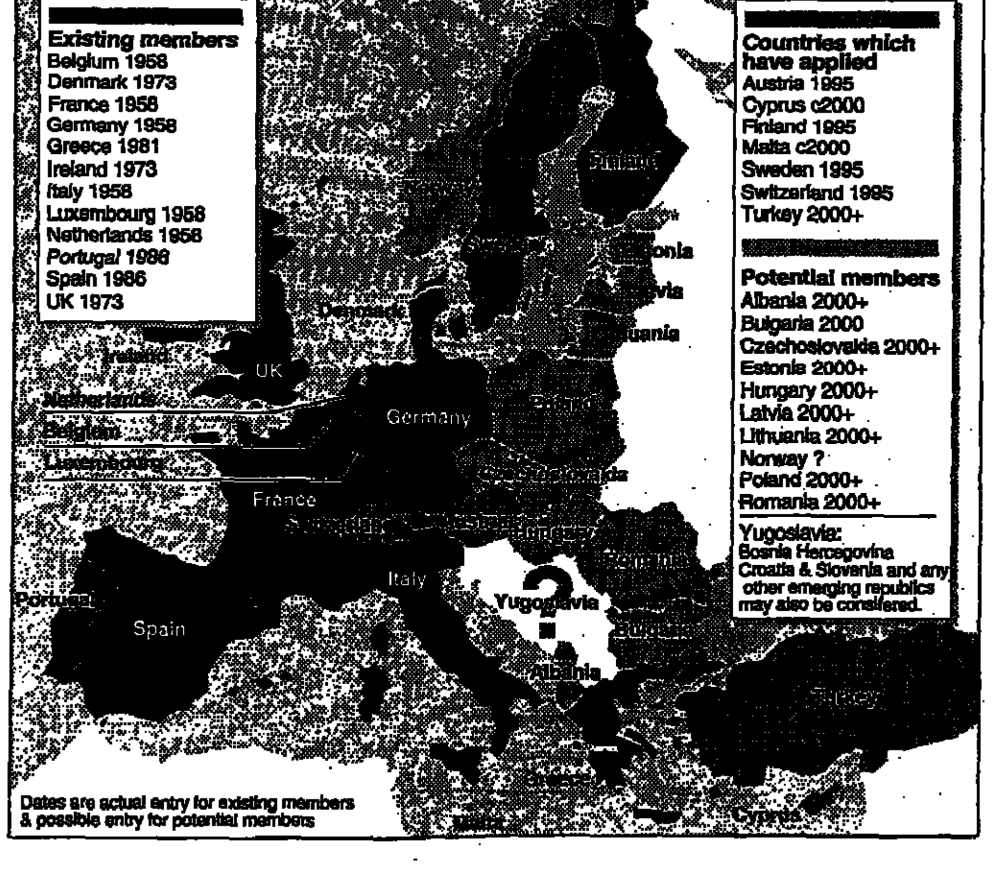
Against the D-Mark the Italian lira closed down, at L756.6, compared with Wednesday's close of L756.1. The Dutch guilder and the Belgian franc remained steady alongside Germany's currency.

Mr Steve Hannah, head of research at IBJ International, the securities arm of Industrial Bank of Japan, said the quieter markets stemmed partly from a better understanding among investors of what the Danes were voting against.

"They were voting against political centralisation and the institutional aspects of the union more *than the economic* and exchange rate aspects of the system," he said.

European stock markets were mostly quiet although Italian shares were driven lower over worries that the Italian economy would lose the benefits of convergence between European interest and inflation rates should monetary union unravel.

Spanish shares also continued to slide but prices are expected to stabilise in the short-term.



Neighbours feel the chill winds

Uncertainty is sweeping the Nordic region, writes **Robert Taylor**

HOSTILITY to European Community membership is sweeping the Nordic region following Denmark's narrow rejection of the Maastricht treaty.

A few weeks ago the timetable for much of the region to enter the EC by 1995 looked secure. Now there is considerable uncertainty, with Sweden, Finland and Norway needing majority approval in binding referendums before they can join the Community. "

As many as 45 per cent of Swedes are opposed to their country's application for EC membership, with only 28 per cent in favour, according to a poll published yesterday. This suggests a rapid swing against the EC; in July 1991, when the then Social Democratic Prime Minister Ingvar Carlsson handed in Sweden's EC membership application, about 60 per cent *of Swedes* supported the move. Only 14 per cent said they were against EC entry.

Attitudes in Norway towards the EC have been evenly divided for some time but they appear to be hardening against membership. An opinion poll published *yesterday in Aftonposten, the* country's leading newspaper, showed 53 per cent of Norwegians now opposed EC membership, *with 33 per cent in favour.*

In Finland public opinion remains more favourable, with the latest poll finding 56 per cent of Finns in support of the membership application made in March, with 31 per cent opposing it.

Sweden has seen the most dramatic shift in public opinion, largely predating Tuesday's referendum in Denmark. Women have grown increasingly hostile to the EC, with 40 per cent opposing their country's entry and 32 per cent in favour. Many of them believe Sweden's welfare state would be endangered by membership.

The most significant shift has been among Social Democratic supporters, 47 per cent of whom are against EC entry and only 24 per cent in favour even though the party leadership under Mr Carlsson supports the cause. Mr Carlsson blames Mr Carl Bildt, Sweden's right-wing prime minister, for the growth of anti-EC sentiment.

There is little doubt Mr Bildt believes his radical economic programme to make Sweden more competitive and market oriented is vital if the country is to join the EC, in spite of being politically unpopular in the short-term for increasing unemployment and squeezing living standards.

Mr Bildt had hoped Sweden's membership negotiations would be finalised by the end of next year, with a referendum in time for the next general election in September 1994. However, the Social Democrats have recovered the backing they lost in September's election, with the latest opinion survey giving them 43 per cent support.

Before he became prime minister Mr Bildt feared that the Social Democrats in opposition would behave like the British Labour party after it lost office in June 1970 and drop its pro-EC position in favour of a No campaign.

This still looks a unlikely, but the strains inside the Swedish labour movement over the issue are likely to grow.

The same is true in Norway, where memories of a No vote in the 1972 EC referendum still trouble politicians, particularly in the powerful Labour Movement. The Labour party's conference in November is expected to endorse a membership application, but the minority government's experiences over the European Economic Area deal suggest that opening talks with Brussels will detonate a furious national debate.

The Nordic governments will need more time to convince their voters about the wisdom of joining the EC. Any rush to early membership could end in disaster at the polls.

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EC plans quotas on Chinese footwear imports

By Andrew Hill in Brussels

MOST European Community states yesterday decided in principle to impose quotas on as londonof Chinese footwear.

Trade experts have yet to iron out technical problems – including the thorny question of whether to apply the quota to the lucrative market for training shoes.

Big manufacturers, including Nike and Reebok, obtain a growing share of their production from factories in China and have been fighting the measure, which they say would increase costs, and possibly prices.

Trainers were included in the quota plan, even though there is no Community production of so-called "hi-tech" sports shoes, and therefore no political need to protect EC manufacturers.

The footwear quota proposal is an important trade precedent which should be followed by the harmonisation or abolition of national quotas on other imports from China, Vietnam and North Korea – nations defined by the EC as "state trading countries".

At the moment, a patchwork of national measures exists in many import areas, including bicycles, umbrellas and toys. The Commission argues that national quotas are already inefficient and will be impossible to enforce once internal EC frontiers are removed at the end of this year.

In the case of footwear, Brussels decided to harmonise rather than abolish most national quotas, because many member states were worried about the impact of Chinese imports on the EC footwear industry.

At yesterday's meeting, only Britain held out against a quota, although the Dutch, Germans and Danes are understood to have technical objections. Portugal and Spain, on the other hand, are pressing for more categories of shoes to be included.

Regulation crossroads for US vehicle makers

Environment and safety laws are set to lead to higher costs, but also new opportunities for parts suppliers, writes **Paul Cheeseright**

US environmental and safety legislation could cost the country's motor industry an extra $40bn annually in parts, materials and services by the late 1990s, aspirant equipment suppliers to the North American market heard yesterday. The aggregate figure works out at $5,000 for each vehicle.

The effect of the changes will spread down to the "aftermarket", the market for spare parts, accessories and chemicals supplied to vehicles on the road. Aftermarket requirements could provide business worth at least another $40bn.

"We are living in a world of regulatory activity that is frightening," Mr Bob Miller, president of the US Motor Equipment Manufacturers Association, complained to UK motor component executives at a meeting in Birmingham.

Yet Mr Miller's complaint has its silver lining for actual and potential suppliers to the US original equipment market and its aftermarket. This was made clear by Knibb Gormezano and Partners, consultants, in a report* on the North American motor market, commissioned by the UK Department of Trade and Industry and presented to the Birmingham meeting.

NORTH AMERICAN CARS AND LIGHT TRUCKS ORIGINAL EQUIPMENT PURCHASES FROM INDEPENDENT SOURCES

	1991	1995*
Value in current $bn	29.7	49.8
Of which (per cent)		
Body	43	42
Electrical/electronic	21	22
Engine and cooling	9	10
Powertrain and chassis	18	18
Other	9	8

*Source: Knibb, Gormezano & Partners. *Estimate*

The report noted that environmental and safety considerations were one of five background factors affecting both future vehicle production in North America and "the aspirations of potential off-shore suppliers".

As part of the realigning relations between the motor manufacturers and the component suppliers, much of the work on meeting higher environmental standards would not be undertaken by the motor manufacturers. "A large proportion of the research and development into more environmentally-friendly vehicles is sub-contracted to outside companies," said Knibb Gormezano.

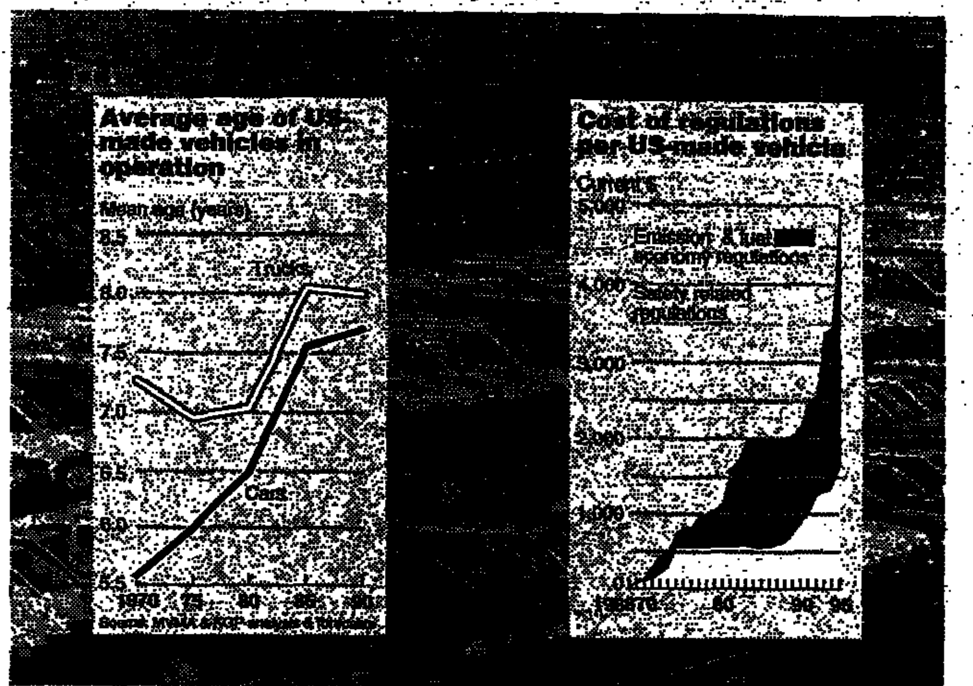
Because the US motor manufacturers want urgent solutions to the environmental demands, "any British manufacturer which has, or could have, products which help meet the demands will find a multitude of ready ears".

But this does not suggest that the North American market is suddenly free and easy. Manufacturers at the Birmingham meeting observed that the US market takes just as long to penetrate as the Japanese motor market. The leading British component manufacturers – GKN, Lucas, T&N for example – have been active in the market for years and have local manufacturing capacity.

Indeed, over the last two years, partly reflecting the relative strength of the EC and the US motor markets and emphasising the growing globalisation of the vehicle industry, British motor industry exports to the US declined in value. In 1990 they were worth £1.18bn; ($2.14bn) in 1991 £772m. By comparison, exports to the German, French, Belgian and Spanish markets rose.

While the US motor manufacturers may need need new equipment, the recession has ensured that they will not be producing vast new numbers of vehicles. Knibb Gormezano observed that the recession had caused an 18 per cent decline in volume since 1988 and that lost volume was not likely to be fully recovered until 1995.

The effect of the recession is the second of the factors affecting the aspirations of potential suppliers. But the mere recital of numbers hides changes which have been taking place in the US industry, most notably the loss of share by the Big Three manufacturers – GM, Ford and Chrysler – to the Japanese car makers. However, the Japanese manufacturers will use the US, just as they are starting to use the UK, as a springboard for exports.



The third factor affecting new entrants to the market is exchange rate volatility, not a new phenomenon. But currency shifts such as the 10 per cent decline in the value of sterling against the dollar in February-March 1992 can skew margin and profit calculations.

A new surge of protectionist sentiment is the fourth factor. Knibb Gormezano has noticed no shift in commercial purchasing practices because of it and commented that "Japan is very much at the centre of the debate". But problems could emerge for European companies if US restraint actions designed to fit one problem are couched in multilateral terms.

Negotiations for a North American Free Trade Agreement between the US, Canada and Mexico are the fifth factor. This may have the effect of shifting more labour-intensive production to Mexico, but the main victim of this process is likely to be the Canadian component sector rather than the European.

**Opportunities in the North American Automotive Original Equipment and Aftermarket by Knibb Gormezano and Partners for the Department of Trade and Industry; May 1992; Department of Trade and Industry, Kingsgate House, 66-74 Victoria Street, London SW1E 6SW; £375* ($682)

Japan takes EC row to Gatt

By Stefan Wagstyl in Tokyo

JAPAN HAS asked Gatt, the body which supervises world trade, to intervene in a dispute with the European Community over EC anti-dumping duties on Japanese audio cassettes.

The EC imposed duties of 14.7 per cent to 22.3 per cent on five Japanese companies after concluding they were selling cassettes at unfairly low prices.

The ministry for international trade and industry (Miti) argues that the commission did not prove that European producers had been hurt by low-priced imports. It also claims the commission has not properly explained the levels of duty it imposed.

If arbitration fails to end the dispute, Miti could take the issue to a Gatt dispute panel – the ultimate arbiter of such cases. It successfully took the Commission to the panel in 1988 over anti-dumping duties imposed on various products including typewriter parts.

However, it is rare for Japan to resort to a Gatt panel since Japanese officials prefer to settle arguments by negotiation.

Miti is also considering involving Gatt in another dispute with the EC, over duties imposed in 1985-86 on Minebea, the ball-bearing maker, for bearings shipped to Europe. Minebea claims that it raised prices after the commission took action and that it is entitled to a refund of duties levied after the price increase. Minebea claims it received a refund of only Y720m when it was entitled to Y1,190m.

● The Commission said yesterday it was imposing provisional anti-dumping duties of up to 75 per cent on imports of large electrolytic capacitors made with aluminium from Japan, Reuter reports from Tokyo.

The EC executive said it had acted after an inquiry prompted by complaints from EC producers that cheap imports were harming their own sales and making them cut capacity.

An EC inquiry found that Japanese producers who co-operated in the inquiry were offering their product, used in the electronics industry, at prices between 14.1 per cent and 43.1 per cent lower than in Japan. These manufacturers will have to pay a duty equal to the difference between their export and domestic price while producers who did not co-operate will have to pay 75 per cent duties.

Italy agrees Qatar LNG deal

By Robert Graham in Rome

ITALY has made a preliminary commitment to go ahead with a major deal to buy liquefied natural gas (LNG) from Qatar's extensive off-shore North Field.

Under a contract signed yesterday in Doha by the Qatar General Petroleum Corporation (QGPC) and Snam, the gas development and transportation subsidiary of ENI, Italy's state oil group, the Italians will study the purchase of 8bn cubic metres of LNG a year, rising to 13bn cu. m. Some gas could be sold on to other customers in Europe.

"This is just the beginning," a SNAM spokesman said yesterday. "However, our track record shows when we initiate something we intend to finish it," he added.

The agreement yesterday envisages the creation of a joint company 65 per cent-owned by QGPC and the remainder split between Snam and Enel, the Italian state power-generating concern. Snam will be responsible for the design, development, transport and sale of the LNG.

No price tag has been put on the deal but an agreement involving the sale of similar quantities of LNG to Japan's Chubu Electric has been costed at over $5bn at current prices. Of this, $2bn would go on a liquefaction plant and $1.7bn on the construction of seven LNG tankers. However, the liquefaction plant could also handle the processing of Italian LNG exports.

Attempts by Qatar to develop its North Field have been handicapped by long arguments over price.

Similar considerations aborted efforts by Iran in the 1970s to sell LNG to Spain. Other problems concern transit through the Suez canal.

The Japanese originally envisaged exports to begin in 1997, but this target has now slipped to at least 1999. Even so, the Italian project yesterday talked of sales beginning in 1997.

Qatar last September awarded a $770m contract to Italy's Condotte d'Acqua for the construction of a port at Ras Laffan, as part of the LNG sales project.

Until now, Italy has been relying principally on Algeria for the supply of gas and LNG. ENI decided recently to proceed with the construction of a second gas pipeline under the Mediterranean, between Sicily and Tunisia, to carry increased purchases of Algerian gas. There has also been talk of a deal with Libya.

Russian turmoil at government appointments

By John Lloyd and Leyla Boulton in Moscow

THE RUSSIAN government yesterday appeared to be in the grip of internal turmoil because of the appointment of three senior ministers with different perspectives and attitudes to those of the free-marketeers who have been commanding centre-stage.

Statements by Mr Vladimir Shumeiko, former deputy speaker of the parliament and now joint first deputy prime minister with Mr Yegor Gaidar, indicate that he wants a more state-orientated strategy on privatisation and an immediate halving of the 28 per cent value added tax (VAT).

Mr Alexei Ulyukayev, the government's economic adviser, said yesterday that neither was government policy.

However, he refused to say whether Mr Shumeiko or Mr Gaidar was the senior first deputy: Mr Gaidar remained in control of economic strategy and of the country's finances, while Mr Shumeiko was in "operative control" of government policy.

Mr Ulyukayev indicated that the government's first phase of radical reform was concluded. He said that "realities call for different tactics" and that "you can be a strict economic liberal, good at solving problems of the first period of reform, on the macroeconomic level, but the question of combining macroeconomic and microeconomic issues has not been solved...the next stage allows you to make certain changes in course."

Professor Yevgeny Yasin, the government's plenipotentiary to parliament who is engaged in drafting medium-term strategy, said that there was a danger of the emergence of "two centres of power" around the two first deputy premiers.

Meanwhile, confusion deepened yesterday when parliament refused to accept the resignation of Mr Georgy Matiukhin, the Central Bank chairman.

Mr Shumeiko told parliament that Mr Matiukhin could not be directly blamed for all the failures of the bank and that, with only a year in office, he had not served long enough.

Mr Matiukhin himself appeared and proposed a freeze on wages and prices as an alternative to the 80 per cent interest rates for which he has been much criticised.

Mr Vassily Barchuk, the *finance minister, said that he* thought interest rates were too high even though government policy is to defend present levels.

Parliament refused to countenance such a freeze, refused to agree to Mr Shumeiko's suggestion that Mr Matiukhin be appointed for a five-year term with security of tenure – a condition Mr Matiukhin said was indispensable to his doing his job – and also refused to allow him to quit.

Mr Ulyukayev said that the government changes in personnel and tactics would have to be "explained" to the IMF, with *which the government is negotiating* a memorandum of understanding to allow it access to the $24bn (£13.3bn) credits put up by the fund and the major foreign governments.

However, he added: "I don't want to give the impression that the government depends too much on the IMF for the success of the reforms. The key to resolving the problems of Russia lies here, in Russia."

Brussels retreats from HDTV memorandum

By Andrew Hill in Brussels

THE EUROPEAN Commission has given up trying to persuade satellite operators, equipment manufacturers and broadcasters to sign a single document legally binding them to promote high-definition television (HDTV).

The Commission has decided to change direction, by asking the industry groups to agree to a watered-down "declaration of intent". Companies will have to conclude bilateral contracts with the Commission, laying out their individual strategies, so as to benefit from its proposed Ecu850m (£593m) plan to encourage wide-screen television services in the EC.

Even so, the move is still likely to raise fears that the EC is trying to dictate HDTV strategy to industry. This was the flaw that crippled its original advanced television policy in the mid-1980s.

When it launched the HDTV action plan in April, the Commission proposed a legally binding "memorandum of understanding" as one of "three integral pillars" of its strategy, along with the plan itself and the directive on EC satellite television transmission standards, agreed before Christmas.

Wide-screen television – a first step towards full HDTV – is unlikely to become a reality unless industry co-operates to produce suitable programmes and equipment.

Officials said yesterday that the Commission's action plan, rather than the memorandum, would now provide the backbone of the policy. They stressed that the plan had emerged from discussions with industry.

EC telecommunications ministers will discuss the five-year plan for the first time in Luxembourg today. They will reach no formal agreement because the European Parliament has yet to give its opinion on the proposal and because the controversial funding element depends on approval of the EC budget for 1993-97.

The commission may still have trouble getting industry to sign up before the terms and financing of the action plan are agreed. Industry representatives were to meet in Brussels on Wednesday to discuss the situation, but delayed the meeting until June 15.

Poland faces crisis over list of 'police spies'

By Christopher Bobinski in Warsaw

POLAND'S interior ministry circulated lists of former secret police collaborators yesterday, threatening a crisis in the political establishment.

The list contains the names of some 60 people who presently work in parliament, government or the President's office. Mr Antoni Macierewicz, the interior minister, has sent the names to the heads of parliamentary committees and political parties.

The list, which amounts to around 10 per cent of officials vetted, has yet to be made public.

President Lech Walesa attacked the revelations yesterday, saying they could "completely destabilise state and party political structures".

He alleged that the interior ministry's files "were to a large extent false" and implied that some of the documents were fabricated by the secret services of other countries.

He also sought to forestall charges of collaboration. "I have been arrested many times. The first time was in December 1970 when I signed three or four documents . . . I never betrayed my ideals or my colleagues," he said in a statement released yesterday.

The government is already under siege and faces a no confidence motion today which the opposition parties are expected to win. This would be the third government collapse in three years.

President Walesa has made it clear that he wants the dismissal of the present minority centre-right cabinet, led by Mr Jan Olszewski.

The list of those allegedly linked to the secret police includes the name of Mr Andrzej Olechowski, the finance minister, whose resignation is expected to be accepted tomorrow. Mr Olechowski, who is resigning in protest over a budget spending issue, yesterday said he had in the past been involved in intelligence work.

Mr Macierewicz's move followed a vote in parliament last week demanding that the names of former secret police informers in parliament and government office be revealed.

Parliament yesterday continued a debate on this year's budget which is expected to be passed.

Later Mr Walesa is expected to put forward his own motion of no-confidence in the present cabinet to support similar motions which are being tabled by several parties.

Nato agrees peacekeeping role in Europe

By Robert Mauthner in Oslo

NATO foreign ministers yesterday agreed that the alliance should take on a new peacekeeping role in Europe, though there is no immediate prospect of it deploying troops in areas of conflict such as Yugoslavia while a durable ceasefire is not in place.

A statement issued by Nato foreign ministers said the 16 allies were prepared to support peacekeeping activities "on a case-by-case basis" on the specific request of the 52-nation Conference on Security and Co-operation in Europe. It is the first time that Nato, which was founded in 1949, has agreed to take action involving the defence of non-members.

Mr Manfred Wörner, the secretary-general, said the peacekeeping offer covered not only transport, other infrastructure facilities and supplies of military equipment, but also troops, if necessary. However, the statement was carefully worded to allow individual member states to opt out of any peacekeeping mission – to take account of mainly French objections. France is opposed to giving Nato an enhanced role. The compromise finally reached can be interpreted as being either an offer from Nato or the member states.

Mr Lawrence Eagleburger, the US deputy secretary of state, expressed his country's strong support for the decision to make Nato's capabilities and assets available for CSCE-mandated peacekeeping operations. The CSCE, he said, had "a unique role to play as a flexible political instrument for managing democratic change and addressing the root causes of conflict". However, both Mr Eagleburger and Mr Douglas Hurd, the British foreign secretary, stressed that the CSCE should be able to turn to international organisations, such as the United Nations and the nine-nation Western European Union for help in peacekeeping activities.

In separate statements, the ministers condemned the use of force in the former territory of Yugoslavia, and called for an immediate ceasefire in Nagorno-Karabakh, the Armenian enclave in Azerbaijan.

Sarajevo burns: the Bosnian capital has come under repeated heavy artillery barrage since the international recognition of Bosnia-Hercegovina's independence

Sarajevo survives bombs only to starve

By Judy Dempsey in Belgrade

THE SIEGE of Sarajevo, the capital of Bosnia-Hercegovina, enters its third month today, as Serb militia groups continue to try to starve the city into submission, in retaliation for the international recognition last April of the former Yugoslav republic's independence.

But Dr Farhuk Konjhovic, a 55-year-old neurosurgeon at the city's general hospital, remains an irrepressible optimist. After all, he says, yesterday was a good day – snipers did not try to kill him on his way to work, the Serb militia and Yugoslav army did not bomb the hospital.

Mr Vuk Draskovic, head of the opposition Serbian Renewal Party, yesterday called for mass demonstrations against Serbian President Slobodan Milosevic, writes Judy Dempsey.

Mr Draskovic said the demonstrations, to be held a fortnight hence, should aim to remove Mr Milosevic from power. The latter may claim he has a mandate after elections last Sunday won by his Serbian Socialist Party. However, the opposition boycotted them.

Mr Konjhovic has few other reasons to be optimistic. His apartment, near the old Turkish bazaar in the centre of the capital, was shelled to smithereens by Serb irregulars nine days ago. He, his wife, and daughter now live in a room in a friend's apartment.

His surgical unit is short of everything. "We are running out of antibiotics, penicillin, and basic medical equipment. We are just about coping. I look after 40 patients. All of them have very serious head injuries caused by explosives. We just have to keep working, day and night," he said.

Outside, no one dares linger in the streets. Public transport is at a standstill. The constant bombing of the city has made sure of that.

"It's eerie out there," said Mr Misrad Becerovic, a journalist at Sarajevo radio. "I now sleep here at the radio station. When you go out and you see that it is quiet, you think you are safe. Then, from nowhere, the snipers shoot. No-one is safe."

Everyone is hungry. Mr Konjhovic says he cannot remember the taste of fruit or fresh vegetables. "We are living off rice and bread. No-one is receiving any protein whatsoever. There is no milk for the children, no nourishment for the elderly."

In the neighbouring suburb of Dobrinja, the people yesterday started to eat pigeons. The district has been completely surrounded by the Serb militia. Not a crumb trickles through the blockade. Mr Konjhovic says the people, who have been without food or water for 25 days, are close to dying from starvation. "The only thing that keeps us going is the belief that the United Nations will send in troops to relieve the city," said Mr Becerovic.

Yesterday, the UN again tried to continue negotiations with Croat, Moslem and Serb forces, with the aim to reopen Sarajevo airport. Like the city, it is entering the third month of a Serbian-enforced blockade.

Bonn seals Bundesbank reform deal

By Quentin Peel in Bonn

THE German government has reached a last-minute deal on reform of the Bundesbank in a bid to ensure that the country's 16 federal Länder (states) do not gain excessive control over the central bank.

However the plans, which would reduce the representation of the states on the bank's governing council from 11 to nine, may remain in the balance because of constitutional challenges.

The plan will be put to the vote today in the Bundesrat, the upper house of the German parliament, in which the 16 states are represented. There it will probably be rejected by a majority of the states, ruled by opposition Social Democrats.

However, the compromise should ensure that the reform eventually becomes law: there will not be a two-thirds majority against it. This means that the Bundesrat decision can be overturned by a simple majority in the directly-elected Bundestag, the lower house, which the government controls.

The key change was an agreement that a new joint state bank will be formed by Saxony and Thuringia, both part of the former East Germany, instead of combining Thuringia with Hesse in the west, as originally planned. In all, the state banks will combine to form nine new banks, instead of the present 11, and instead of an automatic increase to 16 to take in the new eastern states.

If the states had 16 representatives on the Bundesbank council, they would greatly outnumber the eight full-time bank directors, raising fears that the council would become hopelessly unwieldy, and capable of being politically manipulated.

German growth gets welcome lift

By Christopher Parkes in Bonn

WEST GERMAN economic growth gained a welcome lift in the first quarter of this year from mild winter weather, strong output in the building sector and 1.5 extra working days.

Gross national product was 1.8 per cent higher than in the first three months of 1991, the federal statistics office reported yesterday. That growth followed a rise of only 0.6 per cent in the last quarter of 1991, the lowest increase since the spring of 1987.

Despite further comforting news on the employment front – jobless totals fell slightly in both parts of the country – industry remains gloomy about the immediate future.

Business conditions worsened in the west during April, the Ifo economics institute reported yesterday, and expectations for the next six months remained pessimistic. According to its monthly business confidence survey, there were still no signs of improved export business. However, in the east the rate of job losses had slowed and conditions appeared to have stabilised, Ifo said.

According to the economics ministry, however, the value of incoming orders to east German companies contracted by 30 per cent in February. Foreign orders were down 55 per cent.

The statistics office said spending on construction was 10 per cent up on the previous year. However, capital investment fell 1.3 per cent, and private consumption rose by only 0.8 per cent despite a 5.3 per cent increase in disposable private incomes.

Russia at heart of hostile alliances gives shape to former USSR

Deepening mutual distrust is evolving where once there were hopes of a loose commonwealth, write **John Lloyd** and **Chrystia Freeland**

THE post-Soviet states are not evolving towards the loose confederation they envisaged when they founded the Commonwealth of Independent States six months ago: instead, they are developing ever deeper mutual hostilities, within whose framework two alliances are beginning to form – one pro- and one anti-Russian.

This is accompanied by an increasing assertiveness on the part of Russian leaders, including those who came to power on democratic, anti-totalitarian programmes. Says Mr Sergei Stankevich, a state adviser to Mr Boris Yeltsin, the Russian president: "It is important for Russia to defend the legal and other rights of Russians outside of Russia. If it doesn't, it will seriously weaken the stature of the Russian president."

For political leaders in Ukraine, Moldova, Azerbaijan and the three Baltic states – now emerging as a loose, potentially anti-Russian alliance – political leaders fear that the old empire is striking back. Ukraine, the largest of these, is the decisive force in such an alliance – and the judgment of Mr Mykola Mykhalchenko, political adviser to Mr Leonid Kravchuk, the Ukrainian president, is widely shared: "Russia wishes to become the successor of the old Russian empire. It has an economic crisis and its leaders are trying to rally the country around nationalist-patriotic ideas."

Ukrainian leaders and parliamentarians, alarmed by the decision of the Russian parliament to declare illegal the 1954 transfer of the Crimea from Russian to Ukrainian jurisdiction, think it is not an isolated action: Mr Mykhalchenko believes that Russia will make claims for border regions in Estonia and Kazakhstan as well as eastern Ukraine and Crimea, where there are areas of majority Russian populations.

The Baltic states are more concerned with continued stationing of Russian troops on their territories. General Pavel Grachev, the Russian defence minister, has said that troops will not be pulled out until 1999 – a timetable all the Baltic states have rejected. Estonia yesterday announced it was breaking off all talks with Russia on the issue.

Mr Stankevich is indignant over Baltic claims that Russia is behaving like an imperialist power, especially since, in his and many Russians' view, legislation on citizenship and language introduced in these states discriminates against the Russians, who make up some 40 per cent of the Latvian population and more than 30 per cent in Estonia.

"The independence of the Baltic states was the cause of the Russian democrats: we cannot be blamed for the imperialist past. But now we are blamed for the troops being there. Meanwhile, our complaints about the abuse of human rights of Russians are ignored."

Moldova is the most alienated of the former Soviet states: its parliament has gone so far as to consider a declaration of war on Russia. Its militia is engaged with the forces of the separatist Russian population of the TransDnestr region, and it suspects that the Russian 14th army is heavily engaged on the side of the separatists.

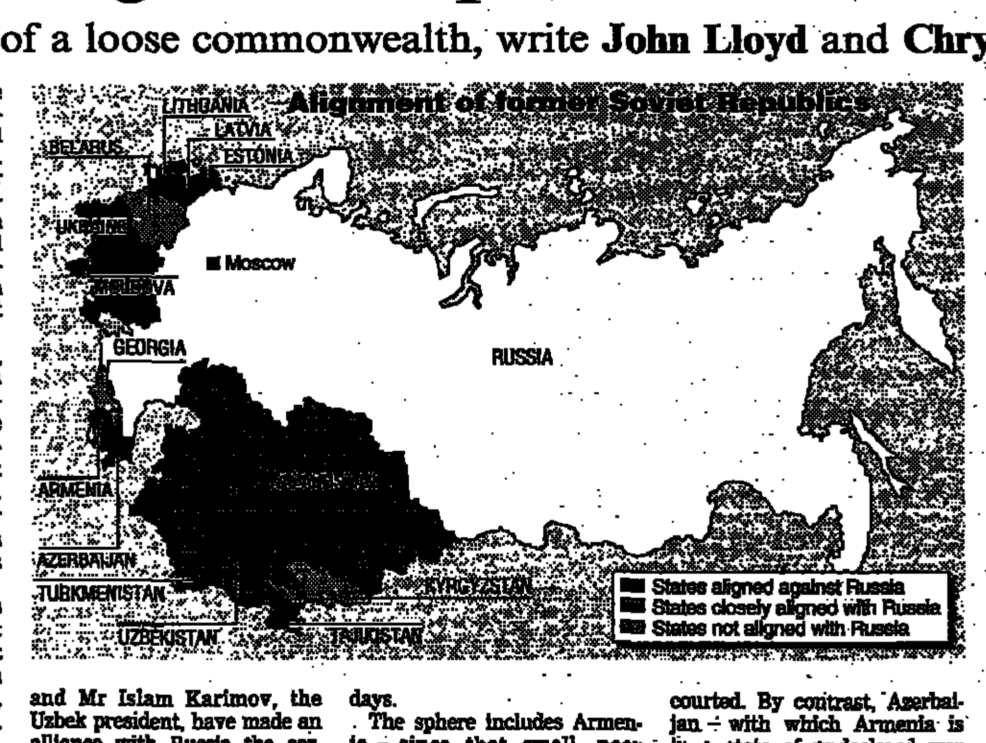
Though Ukrainians are as numerous as Russians in the TransDnestr area, they have tended to stay out of the fighting – and Moldova is careful to distinguish between them. Moldovan foreign minister Nikolai Tiu visited Kiev yesterday after talks with Russian ministers – where he stressed that his government appreciated the neutral stance taken by Ukraine and that distrust for Russia remained high.

Says Mr Nikon Paslaru, spokesman for the Moldovan presidency: "The pro-imperialist tendency has become more evident. Earlier, Russian diplomats had to take into account the views of other republics. Now, when it has become clear that the CIS will end, Russia takes off the mask and spits on everyone else."

Not on everyone. Russia has a sphere of influence which it is increasingly defining: it includes the central Asian states, especially Kazakhstan, Turkmenistan and Uzbekistan, with which it has signed treaties of close co-operation and which, with Armenia, are mostly within the treaty of collective security, signed last month in Tashkent.

Both Mr Nursultan Nazarbayev, the Kazakh president and Mr Islam Karimov, the Uzbek president, have made an alliance with Russia the cornerstone of their policy: Mr Karimov even told the newspaper Pravda that "Uzbekistan sees no future for itself without friendship with Russia" – a strong echo of the flatulent protestations of Soviet days.

The sphere includes Armenia – since that small, poor republic has discovered that it remains surrounded by Moslem states at least potentially hostile to it, and needs Russia's support once more. The 7th Russian Army is likely to stay in place, and Russian support courted. By contrast, Azerbaijan – with which Armenia is in a state of undeclared war over the enclave of Nagorno Karabakh – inclines towards Moldova and Ukraine, from the latter of which have come many officers to act as technical advisers to the developing Azeri army.



The other states – Belarus, Georgia, Tajikistan and Kyrgyzstan – are in different ways seeking to differentiate themselves from Russia without provoking it. All, especially Belarus, acknowledge their huge economic dependence: but they have stayed out of a close, security arrangement. Georgia has stayed out of the CIS.

On some accounts, the area of legitimate Russian intervention is any former Soviet state, whether "friendly" or not. General Grachev earlier this week said Russia had the right to intervene in any neighbouring state when it felt there was a danger of foreign interference – a doctrine which could be used to legitimate a hostile intervention as much as a friendly one.

It is too early to say these two emerging blocs are hostile, and it is evident that they had contradictory as well as common interests. But on one side, there is a feeling of the flexing of Russian muscles: on Russia's side, there is resentment at the imputation of imperialism, yet Russia insists on a great power status and the definition of a sphere of influence.

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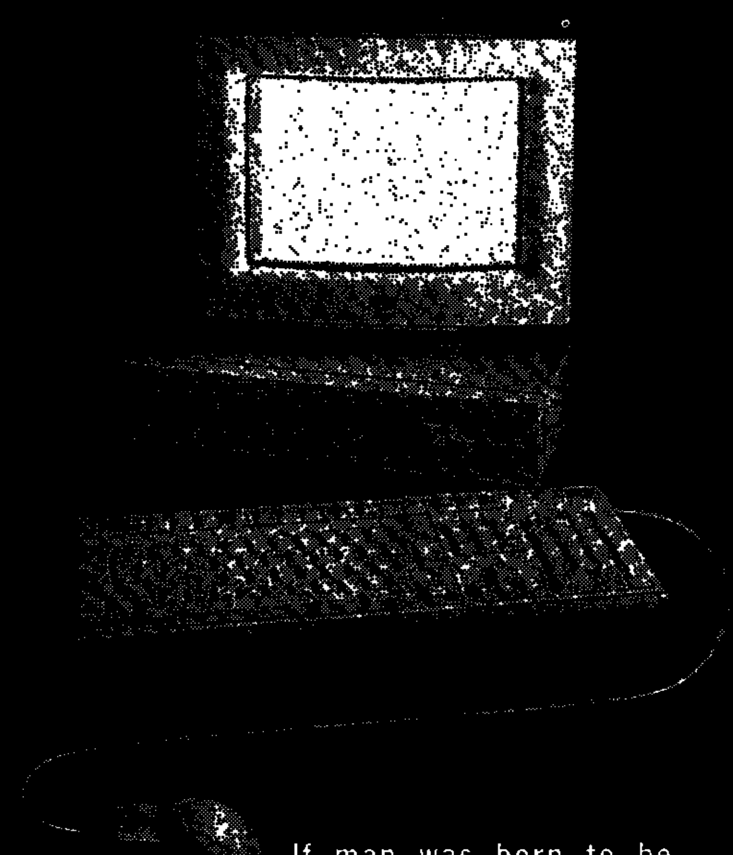

Change in US forests may curb logging

By George Graham in Washington

THE US Forest Service is to change its forest management philosophy in a move that could sharply alter logging practices and help to revive indigenous tree species almost wiped out by rapidly-growing softwoods.

Mr Dale Robertson, service chief, has instructed regional foresters to start to manage the 191m acres of national forest under their authority as "dynamic and complex eco-systems," instead of concentrating on maximising timber production.

The new policy is to lead to a 70 per cent reduction in clear-cutting, where loggers clear an entire area of trees and brush, and to a greater use of less intensive logging techniques that leave some trees standing.

At the moment, clear-cutting is used on about a third of the 800,000 to 900,000 acres harvested each year in national forests, and accounts for a much higher proportion of timber volume.

The Forestry Service also aims to restore traditional North American tree species, including east coast hardwoods and the western ponderosa pine, which has been largely superseded by faster-growing species such as Douglas fir and lodgepole pine.

Forestry officials said reduction of clear-cutting would lead to a short-term drop of about 10 per cent in timber volume harvested, but added that volumes would return to their previous levels over time, through development that pays attention to variations in tree maturities.

Stable volumes would imply logging on larger acreages. This might be difficult because of environmental challenges to logging of any kind on vast areas of national forest land that shelter endangered species of wildlife.

Even so, some foresters argue there is ample scope for sustaining volumes by thinning existing forests.

The exact consequences of the new eco-system in forest management policy are difficult to predict, especially as it is by no means clear that Mr Robertson will be allowed to proceed with his policy change by President George Bush.

He likes to call himself the "environmental president" but his administration has usually considered timber industry jobs more important than ecological concerns.

Industry officials argue that clear-cutting is not just the cheapest way to harvest trees, but also the best way to ensure replanting.

"It's cheaper, but it is also often the best way to get regeneration," said Ms Anne Heissenbuttel, director of forest planning and policy at the National Forest Products Association.

However, Mr Neil Sampson, executive vice-president of American Forests, a conservation organisation, says that the Robertson memorandum would represent a dramatic shift from the European philosophy of treating forests as agricultural factories by planting acres of single softwood species.

"It's not a non-economic view of forest management – it's a view which says people may not be powerful enough or smart enough to replace a natural forest with an artificial forest," he said.

Summit's arch-demon waves a sharp trident

By David Lascelles and Christina Lamb

DIARY

It was, Bill Reilly admitted, "a character-building experience". The head of the US Environmental Protection Agency was the summit's arch-enemy before he even arrived in Rio because of the US's obstructive attitude towards the treaties. His eventual appearance on Wednesday unleashed a barrage of hostile comment.

But the youthful Mr Reilly rose to the occasion with a highly accomplished performance. He appeared at a press conference wearing a green flecked tie and bright green handkerchief and fielded stinging questions for the better part of an hour.

Reilly cuts a good public figure. He has well-chiselled looks, a fluent tongue and a phenomenal memory for facts and figures. Every answer he gave contained some supporting nugget, ranging from the amount of waste produced per capita in the US (4lb a day), to the volume of US aid compared to other countries.

But for many people it was also a poignant performance. He was, after all, once president of the US arm of the World Wide Fund for Nature and is widely believed to have accepted the EPA job because he believed George Bush's claim to be the "environmental president". That has not turned out to be the case. And Mr Reilly now has to defend the record of an Administration with which he must feel deeply at odds.

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The Earth Summit produced its first result yesterday – a treaty to limit greenhouse gases which produce climate changes. But many admitted it fell short of expectations.

President Fernando Collor of Brazil, the first to sign, said the complexity of the negotiations had reduced its scope, though he stressed it was an important beginning.

The treaty obliges signatories to come up with plans to limit greenhouse gas emissions, but it does not, as first hoped, impose an actual duty on them to reduce emissions.

However a group of "like-minded countries" led by Austria, Switzerland and Norway is trying to win support for a side declaration that would impose an actual target of reducing emissions to their 1990 levels by the year 2000.

The treaty requires ratification by 50 countries. No summit participant has said it will not sign, so it is certain to come into force.

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ONE of the less welcome guests at the Earth Summit is Mr Michel Camdessus, managing director of the IMF. Brazil failed to meet the first quarter targets of its latest IMF accord in April and looks unlikely to meet the next quarter with inflation remaining stubbornly at 20 per cent a month. Economy Ministry officials are vainly hoping that in the interests of a better climate Mr Camdessus will politely not mention the matter and instead restrict his interest in things green to trees and plants.

Referring to Mr Camdessus as "the Grim Reaper," one official said yesterday "if he starts talking economics he could really wreck the party."

Brazil, which has never taken the second drawdown of an IMF loan, still barefacedly insists "we only sign agreements we can keep" – perhaps something the UN conference organisers should bear in mind as Brazil rushes to be first to sign summit treaties.

On the defensive: William Reilly (below), head of the US Environmental Protection Agency, deftly fields questions at the Rio summit yesterday

UK likely to sign diversity accord

By Stephen Fidler, Latin America Editor

THE BRITISH government hopes and expects to sign a convention on biological diversity at the Earth Summit in Rio de Janeiro, government officials said yesterday.

However, they were not optimistic that the US government could be persuaded to do so.

Britain had initialled the biodiversity convention, which deals with survival of species, but then had second thoughts because of concerns that it implied an open-ended financial commitment from the developed world.

Although British and US officials have discussed the issue, Washington's concerns about the convention remain much more broadly based.

Mr John Major, UK Prime Minister, is to visit Washington at the weekend after meetings today with Chancellor Helmut Kohl of Germany.

British officials said European Community issues, including the rejection of the Maastricht treaty by Danish voters this week, would play an important part in the meeting. They would also discuss the Uruguay Round of the Gatt trade talks and the British presidency of the EC in the second half of this year, as well as European defence and security issues.

The Rio summit was not high on the agenda.

Britain's main worry there will be the bio-diversity convention. It expects to sign the other accords, such as the climate change convention, to be presented at the summit.

Before flying to Rio on Wednesday, Mr Major is to go to Colombia, to begin the first visit by a serving British prime minister to South America. He will go to the cities of Cartagena and Bogotá, as well as British Petroleum's important oilfield development at Cusiana.

The big unanswered questions are who will pay and how much

Agenda 21: ambitious action plan to clean up planet

By David Lascelles in Rio de Janeiro

BY far the most forbidding document for consideration at the Earth Summit is the so-called Agenda 21, an action plan to clean up the planet which runs to 490 pages, with 40 chapters and no fewer than 115 specific clean-up programmes.

But this weighty tome will also be one of the hottest items at Rio because it raises the question of who pays for the clean-up. Although most of the text was agreed before Rio started, the section on finance is still completely blank, and Mr Joseph Wheeler, the UN official overseeing it says: "The finance negotiations will be very tough. We'll not see the results until the very last minute."

The whole tone of Agenda 21 (so-called because it is targetted at the 21st century) is based on the view that the world stands at a critical juncture, and that it will have to "change course" to survive – a familiar Rio battle cry. The new course will be sustainable development, meaning that present day consumption must not impair resources for future generations.

But Agenda 21 also asserts that poverty, and the gap between North and South, must be overcome if the world economy is to flourish. Hence its strong emphasis on the need for greater flows of aid money and technology from North to South, something the rich countries are wary of.

One of the largest sections deals with ways of protecting all features of the environment, the atmosphere, land, water, forests, mountains and so on, some of which will be backed up by separate Rio treaties. It also addresses the need for better management of waste: toxic, hazardous and radio active. A further section discusses the role that various groups can play in improving the environment: women, children, local authorities, non-governmental organisations, business, scientists, farmers and even trade unions.

Most of this is so obviously desirable that it was approved with little controversy, though specific interest groups are agitating for improvements in their pet subjects.

The big problem comes in the North-South issues. Many industrial countries think Agenda 21 is tilted too much in favour of the Third World, and they are worried that it could turn into a massive demand for aid. Some of them, including the US, also resent a statement early in the document which says: "One of the most serious problems facing the planet is unsustainable consumption and production patterns leading to environmental degradation, aggravation of poverty and imbalances in the development of countries." They see this as a direct attack on their economic policies and want it excluded.

On the other hand, Third World countries think Agenda 21 favours the rich countries because, in their view, it is soft on trans-national corporations and transfers of technology.

When UN organisers of the Earth Summit were asked to produce estimates of how much it would cost to implement Agenda 21 in the Third World alone, they calculated it at $625bn a year – a headline-grabbing figure if ever there was one. This was not intended to be an aid demand, but it was widely interpreted as such and did considerable damage to Agenda 21's prospects.

Of this sum, $500bn was supposed to come from the Third World itself, which upset many of those countries because they thought the rich countries should shoulder the burden. The remaining $125bn was supposed to be in the form of aid from industrial countries, which upset them as well.

No one takes any of these figures seriously now, and it seems most unlikely that they will survive Rio. Mr Gordon Shephard, an official with the World Wide Fund for Nature, says: "What matters is not how much money there is but how it is spent." But that is not to say that the industrial countries will dismiss all requests for aid.

Many of them, including EC members, have agreed to make "new and additional funds" available, and the next 10 days will show how willing they are to dress that up with hard cash. Dr Asnar Vogel, the director general of the German Environment Ministry, says: "Industrial countries have to give a clear signal to the world that they consider themselves in a position of responsibility, and that means helping developing countries."

Agenda 21's final section proposes ways of ensuring that the work is carried out. It proposes the creation of a Commission on Sustainable Development which would be part of the UN and have the job of keeping up the pressure on signatories. The UN General Assembly would hold a special session no later than 1997 to review and appraise Agenda 21.

Bush gets a second wind for Americas

Stephen Fidler on Washington's injection of new life into its hemisphere initiative

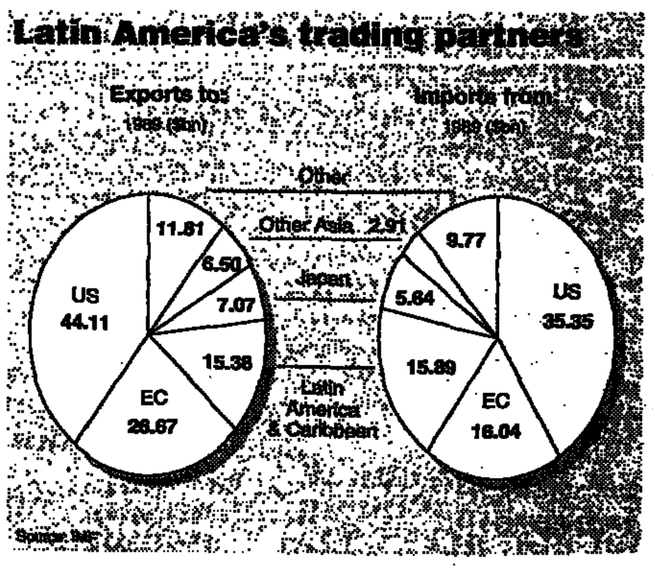
WHEN Mr Nicholas Brady, the US treasury secretary, sits down with Latin American finance ministers in Washington later this month, one of his tasks will be to inject new life into a US initiative which some see as flagging.

The Enterprise for the Americas Initiative (EAI) was launched nearly two years ago by President George Bush as the first comprehensive US policy for Latin America since President Kennedy's Alliance for Progress more than 30 years ago.

It placed economic partnership at the centre of post-Cold War relations between the US and Latin American democracies. It stressed regional trade liberalisation – opening up the possibility of a free trade zone from Alaska to Antarctica – reform of investment regimes and official debt relief.

Former secretary of state Mr Henry Kissinger called it the most creative international policy measure undertaken by the Bush administration. Mr John Sewell, president of the Overseas Development Council, a study group based in Washington, described the EAI as the first "post-aid development policy".

Carrying none of the paternalism of previous US policies towards the region, the EAI was applauded by almost every Latin American leader. Although there were some worries that the US was replacing an insistence on anti-communism with an insistence on neo-liberalism as the basis of policy, it succeeded in addressing current concerns of Latin American governments without proposing resource transfers to the region that the US could ill afford.



The launch of the initiative came two weeks after the president's announcement of his intention to seek a free trade agreement with Mexico and appeared to signal a new-found US interest in the region beyond the usual concerns about drugs and immigration.

The prospect for a partnership was reinforced by the willingness of the Bush administration to work through the Organisation of American States, an organisation it ignored throughout the 1980s. The culmination of this was the June 1991 Santiago declaration which committed member governments to help defend democracy in the region.

Since then, however, some of the good feelings have dissipated. The OAS proved helpless to reverse a military coup in Haiti, was stunned by an attempted coup in Venezuela and divided over how to deal with President Alberto Fujimori's dissolution of Peru's Congress in April.

Meanwhile, the EAI also showed signs of losing momentum. According to Mr Mark Falcoff, of the American Enterprise Institute, the new policy had "fallen from the screen". Mr Viron Vakey of the Carnegie Endowmentsaid he was "becoming more and more pessimistic about the policy".

Each of the three parts of the initiative suffered delays:

- Trade: By October 1991, the US had signed bilateral framework agreements – the first step to a free trade accord – with all Latin American countries except the Dominican Republic, Haiti, Surinam and Cuba. But negotiation of free-trade agreements with other countries has had to await the completion of talks with Mexico and Canada over the North American Free Trade Agreement, which have been going more slowly than expected. Chile will be next in line.
- Investment: Two new programmes were set up with the aim of encouraging reform of economic policies and investment regulation. The first was an Inter-American Development Bank programme to support investment liberalisation and privatisation, from which countries such as Colombia have already benefited.

The IADB was also to administer a $1.5bn Multilateral Investment Fund to which the US, Japan and the EC would each contribute $100m each a year for five years. Some EC countries, including Britain, declined to contribute, with part of the shortfall being made up by Latin governments. However, in April, the US Congress refused to vote US funding, which meant matching funds from Japan would be unavailable.

- Foreign debt: Covering $12bn in bilateral debt owed by Latin countries to the US, it allowed for interest payments to be paid in local currency for an environmental fund and the cancellation of certain loans through debt-for-equity or debt-for-nature swaps.

Although only a modest benefit overall – the savings if fully implemented would amount to $400m a year – this was potentially important for some countries, such as Jamaica, with heavy government-to-government debt. Some debt has already been reduced, but the vast majority was also held up in April by Congress.

These delays have contributed to a sense of frustration among Latin governments and a concern that US interest in the region will prove as transitory as it has in the past.

Mr David Mulford, US treasury under-secretary for international affairs, disagrees with this view. Admitting congressional delays were a setback, he said this week that the Bush administration remained strongly committed to the initiative, and would press for passage of the relevant legislation in the current fiscal year. Latin America, he pointed out, was the fastest growing foreign market for the US. "A strong Latin America is good for the US economy," he said.

Those invited to Washington on June 24-25 are finance ministers from a dozen governments which have benefited either from Mr Brady's bank debt reduction initiative or the EAI, or those expected to benefit in the near future, such as El Salvador and Brazil. Mr Enrique Iglesias, president of the IADB, will also attend. Mr Mulford said the meeting would provide the opportunity for consultation before the summit of the Group of Seven in Munich early next month.

While this should help to promote the idea of a hemisphere partnership, finance ministers will also be interested to hear how the US proposes to advance the Enterprise initiative. Interested and probably – given the narrow preoccupations of Congress and Mr Bush's own concerns – sceptical.

Emergency declared as floods hit Argentina

ARGENTINA declared three provinces in a state of emergency after the worst floods in nearly a decade killed 28 people and forced over 220,000 from their homes in northern Argentina, Paraguay and southern Brazil, Reuter reports from Buenos Aires.

Mr Jose Luis Manzano, Interior Minister, said the Argentine government had declared the northern provinces of Formosa, Chaco and Corrientes in a state of emergency and was putting three other provinces, Santa Fe, Entre Rios and Buenos Aires, on alert.

Heavy rains over the past two weeks caused the Paraguay, Parana and Iguazu rivers to overflow, sweeping flood barriers away and inundating hundreds of towns and villages on their banks.

Officials in Brazil said 26 people had died in the southern states of Santa Catarina, Parana and Rio Grande do Sul where nearly 100,000 people had abandoned their homes.

In northern Argentina, where two men were reported drowned, Manzano estimated that over 80,000 people had been evacuated so far.

Paraguayan authorities stood by to evacuate the 40,000 inhabitants of the town of Pilar, where the waters were threatening to break through flood barriers. Around 65,000 Paraguayans from low-lying areas of the capital Asuncion have been moved to emergency camps on higher ground.

Senate defeats bid to cut TV funding

By Jurek Martin in Washington

CONSERVATIVE attempts to cut federal funding for non-commercial radio and TV in the US have been defeated in the Senate. On Wednesday night, the Senate passed, by 84-11, a $1.1bn (£610m) three-year authorisation for the Corporation for Public Broadcasting, having earlier rejected by 75-22 a proposal to freeze funding at present levels.

As a concession to conservatives, the bill stipulates that "indecent programming" should in most cases only be broadcast after midnight. Content of this category was not defined, but conservatives have in mind programmes devoted to sympathetic looks at homosexual lifestyles and art they consider obscene.

Right-wing complaints about the "liberal" values and alleged political bias of public broadcasting are not new. But this year's debate has been given different twists, particularly through the engagement of the prominent conservative columnist, Mr George Will.

The argument this time was that it was wrong to subsidise programmes for the US élite while the general watchword was budgetary austerity. Senator Trent Lott (Republican, Mississippi), charged that the funding bill "clearly amounts, for the most part, to an upper-middle-class entitlement programme." The standard fare on non-commercial TV runs heavily to British imported drama, interspersed with current affairs, political talk shows, and arguably the best nightly news show: the MacNeil-Lehrer Report.

Few non-commercial stations make their own programmes, many surviving on federal funds and subscription drives. Even supporters of public broadcasting concede the system is not cost-effective. But public broadcasting has strong backing in Washington, shown by the fact that nearly half the Senate Republicans joined the Democratic majority in rejecting the fund-cutting motion.

Surgery for Buchanan

REPUBLICAN presidential contender Patrick Buchanan will undergo heart surgery today to replace an aortic valve, his campaign said yesterday, Reuter reports from Washington.

Doctors expected him to recover fully in about seven weeks. The surgery will be performed at the Washington Hospital Centre.

Mr Buchanan, 53, a conservative television commentator and newspaper columnist, challenged President George Bush strongly in New Hampshire and other early primaries this year, in some cases winning more than 30 per cent of the vote.

But his challenge has faded in later contests and Mr Bush easily beat him on Tuesday in the Californian Republican primary.

Kenya aims to rescue economy

By Julian Ozanne in Nairobi

KENYA, its economy in turmoil, unveiled a budget yesterday aimed at restoring confidence and winning back foreign aid suspended last November because of economic mismanagement and failure to democratise.

Professor George Saitoti, vice-president and minister of finance, told parliament he proposed to reduce the deficit for the year ending June 1993 to 2 per cent of gross domestic product (GDP) from 3.5 per cent at present and 6.5 per cent last year.

This is to be achieved through stricter spending controls and limited revenue raising measures. For the first time, Prof Saitoti acknowledged the need to cut numbers in the bloated civil service and speed privatisation.

Prof Saitoti said Kenya would move toward import parity pricing and variable duties on agricultural commodities, lowering of import duty rates, marginally reduced individual and company taxation and more export incentives.

Western donor organisations and governments suspended aid worth an annual $800m seven months ago to pressure Kenya into radical reform of its heavily centralised economy, notably its costly state companies or parastatals.

The budget acknowledges the severity of the problems facing Kenya, which recorded its first negative per capita income growth in eight years last year, and seeks to resolve the fiscal and policy problems which led to the donors' radical action last year.

Prof Saitoti, said economic growth had slumped in 1991 to 2.2 per cent (a real per capita income decline of 1.3-1.8 per cent), down from 4.3 per cent in 1990, primarily as a result of drought, low coffee prices and a squeeze on public-sector imports forced on the government after donors cut off quick disbursing balance of payments support worth about $30m (£16.6m) a month.

Prof Saitoti announced a slight balance of payments improvement because of a 26 per cent growth in export earnings, caused by a surge in non-traditional manufactured exports, a squeeze on public sector imports and bilateral debt reschedulings.

About 500 demonstrators clash with police outside the Diet building in Tokyo last night in a protest against a bill to allow Japanese troops to act as United Nations peace-keepers. The opposition Socialist party forced repeated delays in a marathon debate on the Peace-keeping Operations Bill.

Japan expects 3.5% annual growth rate

By Stefan Wagstyl in Tokyo

THE Japanese government expects the economy to grow at an average rate of 3.5 per cent annually over the next five years, according to drafts of a long-term economic plan to be published this month.

The plan, prepared by the government's Economic Planning Agency, envisages growth being led by domestic demand, including public and private spending designed to improve the standard of living in Japan.

The expected contribution from domestic demand will be set at 3.75 per cent; the net contribution from external demand will be negative.

This means that import growth will exceed export growth and that Japan's trade surplus, bugbear of its relations with the US and Europe, will shrink.

Even though the plan has been drawn up in the middle of a sharp slowdown in the Japanese economy, its conclusions are generally up-beat. It assumes that Japan will pull out of the current downturn towards the end of the year.

The government is sticking to a forecast of 3.5 per cent growth for the current financial year, which started in April, even though the Organisation for Economic Co-operation and Development expects to see a far slower rate of growth.

The government was watching the effects of a package of economy-boosting measures, announced two months ago, including a cut in the official discount rate and the advancement of planned public investment from the second half of the financial year to the first.

Indian police raid broker's properties

By Richard Waters and R C Murthy in Bombay

POLICE in Bombay raided yesterday more than 34 homes and offices belonging to the broker at the centre of the securities scandal and to his family.

Mr Harshad Mehta, who was later taken away for interrogation, was also named in the first criminal indictment filed over the affair, along with 12 others. These included his wife Jyoti and brothers Ashwin and Sudhi, with senior officials of the State Bank of India, the country's largest commercial bank.

The indictment had been filed by the Central Bureau of Investigation at a special court hearing in New Delhi last Friday, but not previously publicised. It alleges criminal conspiracy and breach of trust, cheating, forgery, falsification of accounts and bribery.

Among those named was Mr C L Khemani, the State Bank deputy managing director in charge of treasury operations. The bank's chairman was told to go on leave on Wednesday, pending his retirement at the end of next month.

Assets belonging to Mr Harshad Mehta, his family and companies had been frozen by the CBI, which is investigating how Rs30.6bn (£600m) was illicitly taken out of the banking system.

The CBI's action so far relates to only one part of the affair – dealings between Mr Mehta and the State Bank, which channelled Rs170bn of transactions through him in the inter-bank markets since last July.

Some Rs4bn belonging to the National Housing Bank was later used to pay off part of Mr Mehta's debts to the State Bank, after the money had been routed through the broker's current account at ANZ Grindlays.

NHB cheques were paid by Grindlays into Mr Mehta's account, even though they were made out to the bank itself and carried no instructions to pay Mr Mehta.

Grindlays has claimed this was normal market practice between banks and brokers. A broker may have a cheque credited to his account the day it is received only when the cheque is made out in a bank's name and drawn on the Reserve Bank of India, the country's central bank.

The affair has pitched Grindlays into head-on confrontation with the Reserve Bank. It owns NHB, and is trying to press Grindlays into setting up a provision to reflect its liability to refund the money.

The CBI's attention is expected to spread to other aspects of the affair. These include the way in which Standard Chartered and two subsidiaries of the state-owned Canara Bank came to be owed Rs12.8bn between them by Bank of Karad and Metropolitan Co-Operative Bank, both of which lack sufficient assets to repay the money.

The Bombay stock exchange has fallen by a third to 3,000 since the share scandal broke.

Marcos friend claims war loot built fortune

By Jose Galang in Manila

MR ENRIQUE ZOBEL, a Manila businessman who was a confidant of the late Philippine president Ferdinand Marcos, claimed yesterday that the dictator had gold deposits abroad worth more than $35bn (£19.4bn) – much of it Second World War loot obtained from a Japanese general.

Mr Zobel, one of the most respected businessmen in the country, said in a television interview that Mr Marcos, before he died in exile in Hawaii in September 1989, was working on a trust fund that would assume control of the gold deposits and "retire the country's foreign debt".

"I saw the actual certificates of gold bullion deposits. All those documents that were shown to me are now in Bongbong's possession," Mr Zobel said, using the nickname of Mr Marcos's son, Ferdinand Jr.

Mr Zobel said that besides the $3bn worth of gold deposits now frozen in Switzerland, Mr Marcos had other gold deposits elsewhere in the world. In all, these deposits were estimated by Mr Zobel to be worth $35bn.

Previous estimates of the Marcos wealth have been about $10bn. He claimed the gold had come mainly from the wartime loot of General Tomoyuki Yamashita, who is known to have died in the northern Philippines.

During the Marcos years, Mr Zobel was head of the property-based conglomerate, Ayala Corporation.

Gaza turned into 'huge prison'

By Hugh Carnegy in Jerusalem

THE ARAB League yesterday accused Israel of having turned the impoverished Gaza Strip into a "huge prison" by sealing the narrow coastal territory for 11 days and cutting off its 750,000 Palestinian inhabitants from access to work in Israel, their main source of income.

The closure, imposed after a Gazan had stabbed a 15-year-old Israeli schoolgirl to death in a Tel Aviv suburb, has become bound up in the campaign for the Israeli general election on June 23.

The ruling Likud party of Mr Yitzhak Shamir, the prime minister, is afraid another stabbing might follow the end of the closure, provoke a repeat of angry anti-Arab riots and draw criticism from the opposition Labour party.

Yesterday, a Palestinian was shot dead in Bethlehem, in the West Bank, after stabbing and wounding an Israeli policeman.

Foreign press sparks fury over Tiananmen Square

By Alexander Nicoll, Asia Editor

THE CHINESE government, in marked contrast to its stated policy of opening to the outside world, has stepped up interference in the work of foreign journalists in Beijing.

Mr James Miles, Beijing correspondent of the British Broadcasting Corporation, has been banned from reporting while his journalist's pass is being held by the authorities. Mr Miles was detained for five hours on April 30 after covering a protest by European MPs in Tiananmen Square.

The Japanese and German governments lodged protests with the Chinese foreign ministry over the beating and detention of reporters on Wednesday. France has said the treatment was unacceptable.

Reporters from TBS television of Japan, DPA news agency of Germany, and ABC News of the US were detained for three hours as they attempted to report from the square on the eve of the third anniversary yesterday of the bloody crackdown on pro-democracy campaigners, in which hundreds were killed.

An ABC correspondent, Mr Todd Carrel, and a Japanese cameraman, Mr Atsushi Yamagiwa, were beaten up.

The Chinese foreign ministry justified use of force because reporters had broken the law.

China threatens construction schedule for new HK airport

By Simon Holberton in Hong Kong

CHINA'S delay in approving financing plans for Hong Kong's new airport is causing concern among managers of the HK$120bn (£8.5bn) project about slippage of the tight construction schedule.

Under the memorandum of understanding signed last September by Mr John Major, the UK prime minister, and Li Peng, his Chinese counterpart, China agreed to take only one month in consultations to approve the airport's financing plans.

The Hong Kong government gave China detailed plans in early April, but has so far received no final response as informal consultations continue. The airport and its associated roads, railway and bridge are due to open before June 1997, when sovereignty over Hong Kong reverts from London to Beijing.

If agreement is not reached, the subject could be discussed by Mr Major and Li when they meet next week at the earth summit in Rio de Janeiro. The delay may cast doubt on what was achieved by the memorandum of understanding, under which China won considerable involvement in the project – as well as a visit to Beijing by Mr Major to sign the deal – in return for agreeing to the airport's going ahead.

Hong Kong government officials dismiss concerns about the construction timetable, saying that no work is being held up by the delay. But Hong Kong needs China's blessing in order to bring the financing plans before the local legislature, which ends its session on July 16.

"If we slip beyond that date it could cause significant delays to the project," said one senior official. "The Chinese understand that."

One official said the Chinese were worried about the extent of contingent liabilities which would be inherited by Hong Kong's post-1997 government, particularly HK$12.5bn in "callable equity" – financing which the government would provide, but only if necessary.

Hong Kong's negotiators have indicated their desire to settle the matter but do not believe the Chinese have come completely clean on all their concerns.

Some believe the Chinese were upset by Mr Major's positive reception in London of Mr Martin Lee, leader of the opposition United Democrats party in Hong Kong.

Others, however, believe that Chinese civil servants prefer to push tough decisions up to a higher level.

"Decisions are dangerous if you live in that system," says one observer.

"They understand the need to resolve it but understanding and meeting it are two different things. It is better if you can get your superior to take the decision."

MoD puts a spanner worth £941 in the works

By David White, Defence Correspondent

Britain's Ministry of Defence (MoD) found it was buying spanners for £941 each when it could obtain them elsewhere for less than one eighth of the price.

By switching to an alternative supplier, it reduced the costof the spanners – for use on heavy-vehicle hub nuts – to £113.

In another case, army investigators queried the price being asked for forked crowbars – £84 each. Another manufacturer, brought in to reverse-engineer the crowbar, made it for £19.

These are among cases cited in a report by the National Audit Office, the public spending watchdog, into the military spares business.

The MoD spends £2bn a year on spares and holds more than 2.7m different items in its inventory.

The price difference on those two orders alone amounted to £268,000. The report identified other savings – including £580,000 a year saved by buying spares for British Aerospace's Rapier missile system direct from sub-contractors – but said there was room for improvement.

The MoD carried out a major study five years ago to check suspicions that it was overpaying for spares.

It put potential savings at £75m a year. Proposals included diversifying suppliers and purchasing in larger quantities. But the NAO report found that "some of the proposals are by no means widely applied".

More spares contracts were now being awarded after competition, but the proportion in value terms was still only 25 per cent in 1990-91. This compared with a figure of 44 per cent in the overall MoD procurement programme and 66 per cent for military spares purchases in the US.

● The Royal Navy will seek 1,150 redundancies next year, including 450 officers. These are in addition to 400 decided for this year.

The measure, announced in a written parliamentary reply by Mr Archie Hamilton, armed forces minister, underlines the difficulties all three forces are having in achieving manpower reductions simply by limiting the inflow of recruits.

Dutch group plans action on insurance loss

By Richard Lapper

A LEADING European reinsurer is set to take legal action in a bid to recover losses of more than Fl 500m (£163m) made in "spiral" reinsurance business underwritten in the London insurance market.

Spiral reinsurance – in which companies and syndicates at the Lloyd's insurance market reinsure each other's exposures to catastrophe risk – has already caused considerable controversy at Lloyd's where hundreds of Names face financial ruin as a result of losses by specialist spiral syndicates.

Amsterdam-based Nederlandse Reassurantie Groep (NRG) is taking the action after running up heavy losses at its Victory subsidiary, which it bought from Legal & General in 1990.

NRG alleges that its advisers in the transaction: Ernst & Young, the accountants, Bacon & Woodrow, the consultant actuaries, and Swiss Bank Corporation, its investment bank, failed to advise the company about Victory's exposure to claims from marine and aviation reinsurance transactions.

The Dutch company says: "the advisers failed properly to assess the account and failed to issue any warning about the possible extent of the shortfall at the time of acquisition."

NRG paid L&G £120m for Victory in July 1990. But subsequently the Dutch company has been forced to set aside some Fl500m (£163m) in extra provisions as claims from insurance policies underwritten before the transaction have emerged. The company has been hit by a series of catastrophe losses, including hurricane Hugo, which struck in the latter half of 1989.

Mr Willem Dikland, chief executive, said NRG would be seeking substantial damages, probably in excess of Fl500m. Mr Dikland indicated that NRG may not have bought Victory had it been aware of the scale of these exposures.

The moves over Legal and General follows the decision by Internationale Nederlanden (ING), the Dutch financial services group and NRG's main shareholder, to buy out minority shareholders in NRG.

ING's decision is part of a Fl613m deal to replenish NRG's reserves against claims on the London marine insurance market. ING has said it would pay Fl113m to minority shareholders and inject Fl 500m into NRG.

The planned capital boost follows the discovery that reserves against marine insurance claims at Victory Reinsurance, acquired from Legal and General in late 1990, were inadequate, the Dutch group said.

London solicitors Allison & Humphreys expect to issue writs later this month.

Colin Lever, senior partner at Bacon & Woodrow, said his firm would "vigorously resist" any action.

The Swiss Bank Corporation, meanwhile, said it had not been required to provide advice on Victory's reserves.

A bank spokesman said: "It is a matter of surprise and regret to SBC that it has been named in the action."

REACTIONS AT WESTMINSTER TO DANISH VOTE

Tory Euro-sceptics celebrate 'fresh start'

By Philip Stephens, Political Editor

I TOLD you so. The refrain echoed around the corridors of the House of Commons yesterday as the Conservative Party's Euro-sceptics celebrated the threatened collapse of the Maastricht accord.

For Mr John Major it was a reminder that the divisions in his party over Europe had been submerged rather than banished by the skilful compromise he negotiated last December with his European partners.

After the lengthy spell in the political wilderness which followed the enforced departure of their mentor, Mrs Margaret Thatcher, the opponents of closer European integration were claiming that the tide had at last turned in their favour.

The 23 Conservative MPs who defied Mr Major last month to vote against the Maastricht treaty were claiming that another 50 or so were ready to demand a renegotiation of the deal on political and economic union. They backed their claim with a parliamentary motion bearing the signatures of 70 colleagues who were ready to call for a "fresh start" to map out the future of Europe.

The rebels were confident that by today the number would have reached close to 100.

Privately some junior members of the government were adding their voice to the assessment that the careful consensus that Mr Major had built up around the Maastricht accord was now shattered. "There is a feeling of liberation around the place. The agreement is dead", one junior minister said.

The party's managers at Westminster were taking a more sanguine view, emphasising that the Danish decision inevitably had created an over-excited mood, particularly among those new MPs with little experience of Westminster.

Senior ministers were quick to point out that the motion – signed around 20 of the new intake – was not an outright repudiation of Maastricht. Its call for a new direction for the EC during the British presidency was easily reconcilable with Mr Major's determination to put the completion of the single market and enlargement at the top of his agenda.

The prime minister, meanwhile, emphasised his view that any attempt by Britain to re-open the terms of the Maastricht deal in the wake of the Danish referendum would carry as many hazards as potential benefits.

Those close to him said that Mr Major remained convinced that the concessions he had negotiated for Britain – including an opt-out from the social chapter and from the commitment to a single currency - could well be threatened in a renegotiation.

But if there was general agreement in the cabinet that Britain should not be seen to renege, there was also a mood among some ministers that it should be careful equally not to emerge as too enthusiastic a champion of the accord.

Mr Norman Lamont, the chancellor of the exchequer, Mrs Gillian Shephard, the employment secretary, and Mr Peter Lilley, the social services secretary, were said to be among those arguing that the second-thoughts in the rest of Europe represented a belated vindication of Britain's negotiating stance.

They were joined by others in pointing out the risks of a sizeable rebellion from Conservative MPs if Major was seen to be trying too hard to rescue a treaty that Britain had never sought. After all, the Irish or the French could yet sink it permanently.

So the message from the party managers was that the government would pause - probably until after the Lisbon summit - before re-tabling the legislation to implement the treaty. By then they hope their will be a deal with Britain's partners to rescue the accord - and a more soberly realistic mood among the government's supporters at Westminster.

Summit strain: John Major in December at Maastricht

Labour divisions begin to surface

Mr George Robertson, Labour's staunchly pro-community European spokesman, was touting his solution to the Danish question on a much exhibited, crumpled postcard yesterday, writes Ivo Dawnay.

It read: "Danish referendum Number Two: Do you agree to change your mind on the Maastricht treaty?" Underneath were two boxes for a voter's cross – both marked: "Yes."

Mr Robertson's chuckles could not disguise the fact that the crisis has provoked a reassessment of the policy quandaries facing his party. Last month, the party leadership had to watch some 60 of its MPs defy a three-line whip and oppose the second reading of the Maastricht bill.

Now, the Danish decision can only be expected to widen what Mr Robertson concedes is a "European fault line that runs through both parties." Party business managers have little control over the rank and file. What is more there is growing momentum behind the view that Labour should press for a referendum if the government persists in pushing on with the ratification process.

Freed from the pre-electoral discipline demanded by the outgoing leadership, Labour's internal divisions over Europe are potentially quite as wide-ranging as those of its Tory opponents, just less on public view.

The parliamentary party's position is further confused by tactical considerations over how to maximise Labour's advantage in the Commons and the additional complication arising from the leadership election still rumbling on in the corridors and tearooms or Westminster.

Nonetheless, the jubilation with which the Danish vote was greeted among some backbench Labour MPs indicates that internal opposition to the leadership's firmly pro-EC line is deeper seated than might initially have seemed the case.

And while the pure anti-community fundamentalists may count for little more than 20 or so of Labours 269 MPs, many more would agree with such as Mr Nigel Spearing that: "It is possible the high tide of centralist European thought in the Labour party has now been reached."

In his first reaction to the Danish vote, Mr Neil Kinnock the party leader, described the Maastricht treaty as "defunct or possibly in hibernation", thereby dismissing calls from the backbenches for a referendum on the treaty as premature.

Yesterday, Mr Robertson – known to his anti-community opponents as "The Ambassador from Strasbourg" – was more cautious.

"It would be absolutely foolish of us as an opposition party... to second guess what has happened," he said.

Others, however, believe the debacle is a new opportunity to prosecute Labour's vision of a Europe. A motion tabled by prominent "soft-left" MPs last night – most of them avowedly pro-Europeans – called for the reopening of talks on the largely monetary criteria for economic convergence, taking into account employment, growth and investment factors.

That view, if adopted, would unravel the party's laboriously negotiated alliances with its continental socialist and social democratic partners.

GEC cuts 800 jobs at Essex factories

By Daniel Green

GEC, the defence equipment manufacturer, yesterday cut more than 800 jobs at its plants in Chelmsford, Essex. The company blamed competition and the transfer of manufacturing overseas for the job losses.

Most of the redundancies will be at the Marconi Radar and Control Systems, a defence electronics contractor, which is closing its Chelmsford factory with the loss of 600 jobs. In a separate statement, GEC-Marconi Communications, which designs and manufactures civil and military communications, said it was shedding 225 jobs.

The cuts are the latest stages in in a wide ranging restructuring of GEC's defence activities which shed about 5,000 staff last year, some 10 per cent of the workforce.

Yesterday's losses at Marconi Radar came in spite of a series of orders won by the company recently. Many of these contracts have been with developing countries which insist on local manufacturing.

The Chelmsford factory will shut by December. After the 600 redundancies, 1,400 people will remain employed by the company.

GEC-Marconi Communications said its 225 redundancies were the result of "heavy competition, particularly overseas" and came after a review of costs. The competition in equipment made by the company, such as satellite ground stations and microwave communications systems, comes from international telecommunications giants including Siemens of Germany and SGS-Thomson of France.

Both subsidiaries of GEC said they were trying to find alternative work for those affected.

MPs claim DTI knew of faults in Maxwell regulation

By Alison Smith

MPs campaigning on behalf of pensioners fighting to recover funds raided by Mr Robert Maxwell, the late publisher, are claiming that the Department of Trade and Industry knew that the Investment Management Regulatory Organisation (Imro) felt unable to carry out its duties adequately over the collapse of the Maxwell empire but did not take full account of those concerns.

The MPs are preparing to submit the claims to Mr William Reid, the parliamentary ombudsman. Mr Reid, however, said that he was not able to entertain complaints against the Securities and Investments Board or Imro.

He said he could consider any evidence that the DTI had ignored representations about the adequacy of regulations or evidence that the licensing by the DTI of London Bishopsgate Investment had led to losses being suffered by the Maxwell pensioners.

His clarification was welcomed by MPs Mr Richard Page and Mr Frank Field, the co-chairmen of the all-party group campaigning on behalf of the Maxwell pensioners, as a helpful move forward.

Mr Page said that members of the campaign group would be drafting submissions that addressed the specific points raised.

The Commons will next week debate the need to implement part of the Social Security Act 1990 which provides for pension schemes in companies where the liabilities exceed the assets to be regarded as creditors of the parent company.

The pensioners campaign group has written to the 398 MPs who have constituents caught up in the Maxwell affair urging them to support early implementation of the section.

Receivers identify estate assets

THE receiver to the late Mr Robert Maxwell's personal estate has identified assets totalling millions of pounds which might be claimed by creditors to the business empire, it emerged yesterday, writes Andrew Jack.

But most of the assets are subject to claims by other parties. Mr Peter Phillips, a partner in Buchler Phillips, the accountancy firm, who is the court-appointed receiver to Mr Maxwell's estate, is to appear before Mr Justice Ferris next week to discuss his attempts to trace assets held by the family.

"We have traced an amount not in the tens of millions of pounds," he said yesterday. Assets found include money in a number of bank accounts and several small shareholdings. Mr Maxwell held more than a 15 per cent stake in the Bank of Sofia in Bulgaria. He also had shares in both P & O and Ansbachers, and holdings in US corporations.

Mr Phillips, however, said: "He was not a man who really needed to have ordinary assets. He was a man who appeared to have been accommodated by his corporate empire."

On tap: Roy Watts, chairman of Thames, the UK's biggest water company yesterday welcomed figures from Ofwat, the industry's economic regulator, showing his company disconnected fewer customers in 1991-92 than any of the other privatised suppliers. However, Thames has recently launched a campaign against persistent non-payers and disconnections are expected to rise sharply.

Truck company falls victim to market collapse

By John Griffiths

AWD, the UK commercial vehicle company created out of General Motors' loss-making Bedford trucks business, was placed in administrative receivership last night.

The company has been hit both by the collapse of the UK truck market and the failure to materialise of hoped-for overseas orders.

Nevertheless, it was intended to sell AWD as a going concern for a sum involving "tens of millions", Mr Tony Thompson, a joint administrative receiver from accountants KPMG Peat Marwick, said last night.

Many of the 650 remaining employees at the 97-acre plant at Dunstable, Bedfordshire have been laid off for some months. The company produced only 22 trucks in the first quarter of this year, compared with 546 in the same period of 1991 and annual production peaks of 6,000 units before the UK truck market started collapsing in 1989.

At its peak, AWD was employing more than 1,300 and its main backer Mr David JB Brown forecast it would employ more than 2,000 people and build 10,000 trucks, both civilian and military, annually.

Mr Brown bought the business from GM near the end of 1987 for just over £20 m. Under GM's ownership, Bedford had been losing £1½m a week in a plant which had the capacity to produce 60,000 trucks a year and which, up to the start of the 1980sm, had employed 6,000 people.

Mr Thompson said that discussions had already been going on with "a number" of potential buyers for the AWD business. Despite the severely depressed state of the European truck industry, the receivers indicate a belief that AWD's acknowledged high level of engineering expertise could prove attractive for a number of potential buyers.

He refused to give an indication of the size of AWD's debts. Its principal creditors are its bank and a number of as-yet unnamed suppliers.

Only three months ago, the work force had accepted a 25 per cent pay cut and 10 days' enforced leave without pay as sales continued to sink. AWD sold 808 trucks in the UK market last year, down from 1,434 in 1989.

The biggest most recent blow has been lack of progress on an initial agreement for AWD-Bedford to supply up to 2,000 trucks a year to Iran in a deal claimed by the company to be worth more than £70m.

As part of the project a truck assembly plant was to be established in southern Iran.

In retrospect, however, perhaps the most decisive blow to AWD fell almost exactly three years ago, when it failed to secure a £155m Ministry of Defence order for 5,000 four-tonne trucks for the UK armed forces.

Bedford trucks had been the transport mainstay of the British military since the Second World War and AWD, mistakenly, believed that the Bedford badge adorning its own TM 4-4 contender almost automatically made it the front runner. Instead, the contract went to Leyland DAF.

● New car sales rose weakly throughout May by 1.4 per cent, the second monthly year-on-year rise after 29 successive months of falling demand.

The hoped-for strong resurgence in new vehicle demand failed to materialise however, with registrations of new commercial vehicles falling again by 7.7 per cent from the same month a year ago, according to figures released yesterday by the Society of Motor Manufacturers and Traders. New commercial vehicle demand has been falling year-on-year for 32 months in succession.

Britain in brief

Qatar order for attack vessels

Qatar has ordered four high-speed attack vessels from the UK'S Vosper Thornycroft shipyard in a deal estimated by naval experts to be worth about £200m.

No details were given about planned armaments, but the 56-metre warships are designed to carry surface-to-surface missiles. Qatar currently has three French patrol vessels armed with Exocet missiles.

The order, a breakthrough in a state which was previously regarded as a captive market for French defence suppliers, follows confirmation of a £150m deal with Oman for two larger missile-carrying corvettes.

The Southampton-based yard said it would need to start expanding its workforce next year in order to cope with adoubling of its order book to some £700m.

Watchdog role for Treasury

Responsibility for regulating financial markets and non-bank financial services will shift to the Treasury from the Department of Trade and Industry next week, nearly three months after the change was foreshadowed in the Conservative election manifesto.

The move will bring together under one roof responsibility for overseeing wholesale financial markets, such as those for foreign exchange and gilts, and wholesale investment markets, such as those for stocks and bonds.

It will necessitate the transfer over the weekend of about 50 DTI officials. It is understood that the move was delayed by legal difficulties.

Shortage in graduates

Britain's supply of engineering graduates is well below that of its main competitors, according to a report by the Engineering Council.

A study for the council by researchers at Liverpool University shows that between 1983 and 1988 the UK output of home students graduating in engineering subjects was only half that of Germany (11,700 against 22,200), and 15 to 20 per cent that of Japan (63,900) and the United States (87,300).

Expressed as output per million population the respective figures are Britain 206, United States 362, Germany 363, and Japan 523.

Toy executives jailed for fraud

Two executives from Action Games and Toys, one of Britain's largest independent companies toymakers, have been jailed for an £8m fraud aimed at keeping the firm alive.

Managing director Mr Brian George, of Henley, Oxfordshire, was sentenced to four and a half years and former head of finance Mr Roger Richardson, now living in St Cyprien, France, to three years. Both admitted fraudulent trading for three years while running the company.

Passing sentence at Oxford Crown Court, Judge Richard May said the offences were not committed by the men to line their pockets or provide an expensive way of life but were an attempt to keep the company alive.

Businessmen accused

The businessman who chairs Manchester University's council has accused the 14 private sector leaders who resigned last week from the council of Manchester Business School of betrayal and said they had been "led astray" about their role by Professor Tom Cannon, the school director.

Mr Chris Kenyon said a new business school executive board would be formed, with the chairman and a majority of lay members from industry and commerce. This would give "practical effect" to better partnership between the university and the private sector.

New guidelines for societies

The Building Societies Commission, the industry regulator, has laid down new guidelines to be followed by societies which want to shed mutual status and become companies.

Though the commission says that the guidelines have been issued without any specific event in mind, the detailed nature of the guidelines has caused surprise and triggered speculation in the mortgage industry that the sale of a small building society to an outside buyer may soon be under active discussion.

Investment set to fall

Investment spending by British manufacturers will continue to fall this year but will rise in 1993, according to the Central Statistical Office's Spring survey of manufacturers' investment intentions.

All industries except chemicals and mechanical engineering are expected to spend less on investment this year than last year. Overall, manufacturers project that spending will fall by 2 per cent.

The biggest falls are expected in the metals and food, drink and tobacco industries. Spending on new building work is expected to fall significantly but to rise slightly for vehicles, plant and machinery, the CSO said.

NRA praises UK beaches

The National Rivers Authority claimed there was an "underlying trend of real and sustained improvement" in the quality of bathing waters, despite a fall in the number of beaches reaching EC standards in 1991.

The National Rivers Authority's second annual report on bathing water quality found that 312 out of 414 beaches, or 75.4 per cent, complied with the standards of the European Community's Bathing Water Directive.

This was down from 78.1 per cent in 1990 - the first drop in compliance rates for five years.

The report blames some of the decline on cooler, wetter weather in 1991, which resulted in less bacteria dying off than usual, and caused an increase in the operation of stormwater overflows which are not subject to bacteria treatment processes.

Tonnage rises at shipyards

For the first time in a decade, British shipyards have more than 1m gross tonnes of vessels either under construction or on order, according to Lloyd's register.

Lucrative and job-saving orders recently won by Belfast's Harland and Wolff and Clyde's Kvaerner Govan yards helped take the total UK order book for the first quarter of 1992 to 1,035,512 gross tonnes, it reported.

The last time the UK topped the 1m gross tonnes mark was in 1982. After that, quarterly figures fell sharply until the low point in the second quarter of 1987, when only 214,000 gross tonnes was recorded.

Academic link for industry

The first stage in the establishment of a network of bridges between academic science and industry has been launched by the government.

One hundred of Britain's research students will study for higher degrees through five industrial partnerships.

The partnerships are a pilot for Faraday Centres, promised by ministers before April's general election and recommended in the final report of the Prince of Wales' Working Group on Innovation, published last month.

THE PROPERTY MARKET

A price on its high-rise head

By Vanessa Houlder

"The issue," said a banker wearily, "is what is Canary Wharf worth? We have no real idea."

It was a frank admission for someone whose decisions had helped create - and then bring down - the £1.8bn development in the London Docklands which last month was put into administration. The complex number-crunching that led to the appointment of administrators had produced just one conclusion: it was not worth throwing good money after bad.

"We made some assumptions and concluded that we couldn't make Canary Wharf viable," the banker said. The main problem in arriving at a value on the project was the uncertainty surrounding the recovery in the London property market. "None of us know where the market is going," he said.

For all the uncertainties, the question of what Canary Wharf is worth cannot be ducked by the bankers, administrators and potential investors considering its future. While the range of estimates vary hugely, one thing is clear: Canary Wharf is worth very little to an investor in its present state.

"The economics of the project require a hugely charitable act from the banks to make the scheme stack up for any incoming investor," commented County NatWest, a broker.

The project can only support a modest amount of debt. On the optimistic assumption that Canary Wharf is fully let at an average rent of £15 per sq ft (an additional £300m would need to be spent first to complete the project), the development would support debt of just £500m, assuming an interest rate of 10 per cent. As matters stand, with only 11 per cent of the 4.5m sq ft project occupied, albeit on a rent estimated at about £25 per sq ft, Canary Wharf can only service £94m of debt.

The picture improves if the project's enterprise zone tax breaks, which could total £400m, can be used. Even then, the shortfall in Canary Wharf's ability to service its debt suggests that the banks' write-downs could exceed £700m.

The scale of the immediate provisions might be reduced if an incoming investor pumped fresh funds into the project and improved its long term prospects by completing the current phase of construction.

Any new backer would receive no income from its investment; the investor would have to take a long term view. A backer would have to gamble on what Canary Wharf would be worth when firmly established in, say, 15 years. Given the riskiness of the investment and the lack of an income in the short term, any potential investor would demand a high rate of return - probably comparable to that on venture capital investments.

Mr Richard Mully, a director of County NatWest, estimates that assuming the project is fully let on rents similar to current levels of £15 per sq ft, the maximum an investor should be prepared to pay for Canary Wharf is between £150m and £200m.

Given the scale of the potential write-downs and the limited sums that are likely to be provided by an outside investor, it might be in some banks' interests to swap debt for equity.

The banks' long-standing aversion to converting debt to equity - which damages their balance sheets and does not offer the tax advantages of provisions - may be softening, according to Mr Mully. "There is no short term solution," he says. "Selling out today involves huge write-offs [and getting back nothing at all]. If banks can recoup something it would be worth persisting."

The losses incurred by Canary Wharf's developers, Olympia & York, raise the question of why the project was thought viable in the first place: how did O&Y persuade its bankers to fund the scheme?

The answer is illustrated by a slide used by O&Y in a presentation to bankers in 1990. Entitled 1990 comparable development economics, the slide shows that the potential profit of building at Canary Wharf was £73 per 'buildable' foot, compared with a £232 profit in the West End and a £91 loss in the City.

The developers based their argument on the fact that land prices at Canary Wharf were cheaper than elsewhere in London, leading to total construction costs of £355 per sq ft, compared with £805 in the City and £685 in the West End. Construction costs, they added, would fall for subsequent phases of the development as the burden of the infrastructure costs were spread more widely.

Rents per square foot were expected to be £30 at Canary Wharf compared with £50 in the City and £55 in the West End. Yields at Canary Wharf would be comparable with the City, after taking account of the enterprise zone's tax allowances. That gives a capital value of £428 per sq ft for Canary Wharf and thus a potential profit of £73 per sq ft.

As late as February O&Y was optimistic that the numbers would add up. Indeed, in February it launched a £215m enterprise zone trust based on a 600,000 sq ft building at 10 Cabot Square. The building was valued at £215m, which covered the construction costs.

But the Cabot Square valuation was made on a special assumption - namely, that the rent on the entire building at £25.61 per sq ft, had a cast-iron guarantee from the developers. That, together with the exploitation of the tax breaks, allowed the valuers to use a yield close to 7 per cent.

The reason why O&Y's original assumptions and the Cabot Square valuation are now irrelevant is that they vastly overestimated the project's rental income and its ability to use the tax breaks. O&Y thought that it would be able to sustain rents of £30 per sq ft - and even push them up towards levels in the City and West End. Now, the project would do well to achieve rents of half that level.

Given the uncertain state of the Dockland's property market, even that assumption may overstate Canary Wharf's value. Unless a building has a prospect of being let, it is a liability, not an asset.

RENTAL GROWTH (%)

	Retail	Office	Industrial	All Properties
Year to April 92	-1.5	-12.6	-3.1	-6.2
Quarter to April 92	-0.6	-4.9	-1.8	-2.5
Month to April 92	-0.2	-1.1	-0.5	-0.6

Source: Investment Property Databank.

Success story: In stark contrast with the Docklands, the growth of Croydon in the 1960s was a triumph for its developers

Croydon shows the way

If one comment about Canary Wharf particularly wounded Olympia & York, it was likening the Docklands to Croydon. The irony is that the comparison is, if anything, unfair to Croydon.

Croydon is the sixth largest office centre in the UK. Although it has the same amount of office space as the Docklands - 10m sq ft - the vacancy rate in Croydon is just 8 per cent, compared with about 50 per cent in the Docklands. The Dockland's transport system is still embryonic, while Croydon has 20 railway stations and two motorways on its doorstep.

In stark contrast with the Docklands, the growth of Croydon in the 1960s was a triumph for its developers and Croydon Corporation, which fostered it.

But not everything is going Croydon's way. Office rents have fallen by up to 30 per cent in the past 18 months; and office vacancies are likely to increase as leases expire and company relocations slow down.

Perhaps the most damaging aspect of Croydon is the appearance of its serried ranks of tired 1960s office blocks. But if Croydon's 1960s architecture is now heartily despised, what chance do the bland facades of the Docklands have of standing the test of time?

MY OFFICE

Margaret Hodge used to be pilloried as a member of the loony left. But **Lucy Kellaway** found Islington's civic leader now cast in a very different mould

Counsel of reason

The paint is old, the heating antediluvian, the fitted carpet too big. The furniture is plain, shabbier than that for sale in the neighbourhood's second-hand furniture shops. The view is of dustcarts, a school playground and a council estate.

In the middle of this large institutional room is Margaret Hodge, incongruously smart in a crimson suit and matching lipstick.

The leader of Islington Council, once a symbol of London's loony left, is happy in these unpretentious surroundings. Hodge is now Ms Reasonable, a self-acclaimed pioneer in public sector management. She runs a budget of £300m a year and evidently does not think tarting up her office would be a good use of the funds. "I've never felt obsessive about my place of work, so long as it runs efficiently," she says.

The great turnabout at the council is apparent from the outside. The red flag that used to fly from the roof has gone. So too has the bust of Lenin. The banner that once screamed out the ever-mounting total of Islington's unemployed has been replaced by a more modest, modern digital display.

Inside the grand old town hall are signs of Islington's equal opportunity employment policies which used to be the subject of ridicule but are now held up as a shining example.

The man at the reception desk is slightly handicapped; his black female colleague says that someone from "the Leaders'" office will be down presently.

Hodge's own administrative staff consists of three women, working in a cheerful, low-tech chaos of piles of paper and peeling posters. Their task is to organise the Leader and to make sure she sticks to her over-filled schedule.

Hodge gets to work at 8.30 on mornings that it is not her turn to do the "school run". Her day is an obstacle course of work and family responsibilities: she has six to eight meetings stacked up between 8.30 and 3 – "I never have lunch" – and then dashes home to welcome the children back from school, only to return to the town hall for more meetings in the evening. She is proud that these never start before 7.30pm, to make them more convenient for Islington Council's growing numbers of working mothers.

"Mad, isn't it?," she says of her timetable, while seeming to relish the amount she gets done. "If I have an evening at home, I sit down at 10pm and write until after 1am. But we do have a social life. That is very important. I also garden and play with the kids."

How does she manage it? "Women are much more effective at managing their time than men," is her answer. Her PA's explanation is slightly different: "She's alway's wired, she drinks strong black coffee all day".

In the office there are no signs of her four children: indeed there are no clues as to the sex, class or position of the person who occupies the room.

She says she has deliberately confined her personal clutter to her bedroom, rather than to her office. "The way you survive as a woman with kids is to compartmentalise your life. There is nothing of me here. I used to have a rubber model of Margaret Thatcher that we punched occasionally, but that's gone now."

Her desk is small and shabby and replaces the big one that occupied the Leaders's office when she took over 10 years ago. On it are piles of papers and there are usually plenty more in the Sainsbury's plastic bags she carries about with her. "I'm not into status," she keeps saying.

She has, however, insisted on a few plants, a sad collection in a white plastic tub. Some of the pictures say something about her radical principles: two African pictures that were gifts from "my black groups" and a series of posters deploring the plight of the homeless and advertising an exhibition of "A history of Black Pressure in London".

However, Hodge is careful not to be seen as being over the top. In the days when the tabloid press ran apocryphal stories about Islington banning black rubbish bin liners, Hodge was frequently being taken apart. "I have to make sure I seem reasonable," she says. "What I look like is important," – she points at her PA in jeans and T-shirt – "I would never come to work dressed like that".

Despite the old fashioned look of her surroundings – the only recent innovation is the crate of Perrier – Hodge speaks like the most up-to-date management consultant.

Colin Beere

Margaret Hodge: 'I used to have a rubber model of Margaret Thatcher that we punched occasionally'

She talks of flat structures, culture change, of quality, of participative structures, empowerment, and of passing accountability down the organisation. To prove it, she does not stand on personal ceremony.

She lets herself be interrupted by her PA and doesn't bat an eyelid as numerous colleagues burst into her office without knocking. However, this clearly does not mean a free-for-all. At the constant round of informal meetings held around the low Formica table – which could be with anyone from local tenants to ministers – Hodge makes sure she is in full control. "We decide who should come and what the agenda should be."

Where is it all leading? Doesn't she want to go into politics proper? "I run a budget of £300m – if that isn't real politics, I don't know what is."

SOCIAL EUROPE

Confrontation up against collaboration

David Goodhart finds sharply differing attitudes to works councils in the UK and in Germany

Wilfred Kuckelkorn has worked for Ford all his life and is now deputy-chairman of Ford Germany. Jack Adams, a former communist shop steward at British Leyland, is deputy-general secretary of the Transport and General Workers Union.

The abbreviated biographies of the top trade union officials at, respectively, Ford Germany and Ford UK demonstrate the differences between the industrial relations and worker representation traditions of the two countries.

The German system of co-determination, with workers on the board at company level and powerful works councils at plant level, integrates the workforce, giving it power and responsibility.

To some British trade unionists, this is no more than "company unionism", albeit of a powerful kind. They claim their system of external union officials and plant-based shop stewards is more flexible and representative.

The differences between these two traditions are currently holding up agreement on forming a European works council at Ford, aimed at giving a collective voice to workers from all six European countries where Ford has a presence.

The Germans want Euro-works council representatives to be elected only from Ford employees. The British want some full-time union officials to sit on the 20-person council. A compromise will probably be worked out, and could become a model for other Euro-works councils. How do the contending systems work at Ford?

In the German plants, the employee-only, legally constituted, works councils, elected from the whole workforce, have veto power over everything from working time to bonuses and redundancies.

Kuckelkorn is head of the works council at the Cologne factory, which employs about half of Ford Germany's 36,000 employees, and he also heads the less important Germany-wide works council.

In his plant – "the size of a small town," he says – he is effectively a co-manager alongside the plant manager. He cannot call a strike – that can only be done by IG Metall, the national union, when industry-wide negotiations break down. Unresolved disputes at plant level go to labour courts, but this rarely happens.

Does he have too much power? "I've never seen a works council destroy a German company but I've seen managements do it," he says.

Neither Kuckelkorn nor Ford are directly involved in the industry pay negotiations. But Kuckelkorn sits on the board of Ford Germany and has access to information affecting the company's future.

That encourages a pro-active attitude to management. "We put forward a plan for a slimmer management structure and pushed the adoption of a plan cutting innovation time. Not all our ideas are thought through but we do affect management thinking," he says.

Adams and many British union officials do not approve of such role confusion. "Mr Kuckelkorn has a conflict of loyalties. Our priority is to the members and not the company, although the interests usually coincide," says Adams.

At Ford UK, the most senior union representatives, such as Adams, 57, are full-time union officials not employed by the company. Adams leads the union side at Ford's annual pay negotiations but is also involved in any large issue, like redundancies.

He claims to get as much information about the company from Ford UK as Kuckelkorn, 49, gets as deputy chairman of Ford Germany. "But I can use it for bargaining, whereas he is often bound by confidentiality," says Adams.

The Ford National Joint Negotiating Committee (NJNC) is the pinnacle of the UK system – combining elements of the all-German works council and the IG Metall negotiating committee.

On the UK's 50-man NJNC sit the country's top shop stewards and the motor industry's most senior full-time union officials.

Inside each of Ford UK's 20 plants is a joint works committee with half a dozen shop stewards and a similar number of management representatives. This is similar to the German works council, except that the latter has legally-defined powers and does not include management in its routine deliberations. What the shop steward can demand in the UK depends on how militant shop-floor workers are ready to be. The strike weapon, banned at plant level in Germany, remains crucial in the UK – even if rarely used.

At Cologne, the works council, which meets at least once a week, has 41 members of whom 35 are full-time. Beneath them are 800 informal representatives for individual areas of the plant.

At Dagenham in Essex, which has 11,000 employees, compared with Cologne's 17,000, there are 250 shop stewards elected by union members. Only three – the senior shop steward for each sub-plant – officially work full-time on union matters. Adams admires the power of IG Metall but believes UK union officials are more accountable because they negotiate on pay at plant level.

The works councils in Germany are trying to become involved in pay, to the irritation of IG Metall officials. But Kuckelkorn's influence on non-pay matters is greater than the most powerful shop steward at Dagenham or Halewood. He believes that power is part of the explanation for higher productivity at Ford's German plants.

Eventually, the German model of the works council will probably prevail – because of its wider support in Europe. But a Ford Euro-works council, even if it is recognised by the company, is no guarantee of harmony between Ford's European workforces.

Co-ordination between countries to stop strikes is being undermined by the transfer of work. When jobs are transferred – 350 research jobs recently moved from moving from the UK to Germany – common interest soon disintegrates.

TECHNOLOGY

Fashion hits the factory floor

Andrew Baxter explains how colour screens have brought manufacturing to life

Recession-weary machine tool salesmen can be forgiven for wearing grey faces but at least the sophisticated computer equipment that controls their machines is beginning to blossom out in colour.

Long accustomed to working with black-and-white screens, users of computer numerically control (CNC) machine tools are starting to resemble the telly-watchers of the late 1970s.

In an industry where jargon comes by the bucketfull – and even CNC suppliers have trouble keeping up with each other's impressively named new product features – customers can at least ask suppliers one simple question: "Is it in colour?"

The answer is often yes, but the only problem is cost: colour costs hundreds of pounds more than black-and-white. Even in a total machine tool package costing a five-figure sum, the widespread use of colour has been hampered by the extra cost – and during a recession the total package cost becomes particularly critical.

It is a similar story with thin film transistor flat screen TV technology – big savings in space compared with a traditional cathode ray tube screen, but several times dearer.

Colour has been available for some years on CNC, and might seem like a luxury on something so utilitarian. Compared with a Cadcam screen, after all, a lot of the information on a CNC screen is by definition numerical.

The majority of CNCs sold by GE Fanuc Automation, the world's leading producer, is still mono, says David Avrell, UK managing director. And that will remain the case, he says, until the cost comes down.

The benefits of a palette of 256 colours, as is available on some CNC equipment, look somewhat dubious in comparison with some of the far-reaching technological developments in CNC over the past decade – the trend towards open systems and a striking development in specialist software that allows machine tool companies and users to customise their bought-in CNC equipment and differentiate their machine tools from the competition.

But colour does have a role that goes a long way beyond aesthetics. As has happened elsewhere in the electronics industry, and particularly in personal computers, CNC suppliers have spent heavily to make their equipment easier to use over the past decade, and colour can help the process.

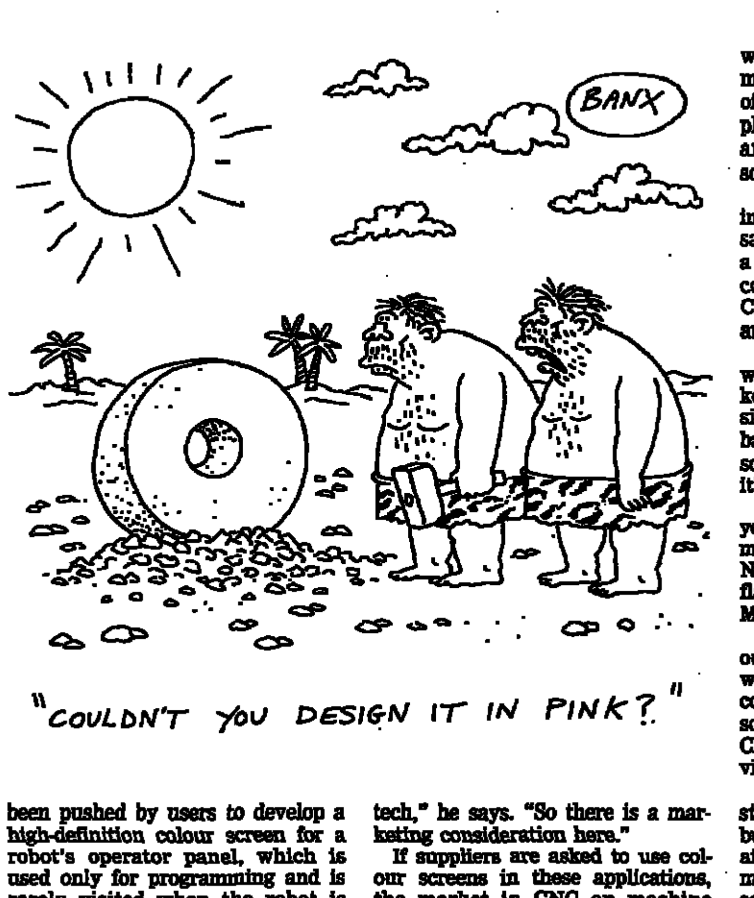
Massimo Ziliani, head of US CNC producer Allen-Bradley's motion control division, says: "I see colour becoming something pretty natural on CNC equipment." Using different colour on a graphic of a complex part shape can help the operator specify the right dimension for a particular profile.

As has been found in Cadcam, colours and shading make a 3D object more readily understandable as a version of the real thing.

Even so, Ziliani admits it is hard to explain customers' desire for colour in some factory automation applications. Allen-Bradley has been pushed by users to develop a high-definition colour screen for a robot's operator panel, which is used only for programming and is rarely visited when the robot is working.

"I think the look or appearance of a nice screen with nice graphics is something that is an image of high-tech," he says. "So there is a marketing consideration here."

If suppliers are asked to use colour screens in these applications, the market in CNC on machine tools ought to have greater potential, especially in small-batch production when the machine tool is being reprogrammed frequently.



Flat-screen technology, meanwhile, lends itself to use in the machine tool industry for a number of reasons. The quality of the display is one attraction, says Avrell, and light tends to enhance the screen.

The saving of space could also be important in small machine tools, says Ziliani, who otherwise remains a firm adherent of CRTs. "I am still convinced that a high-resolution CRT is cheaper and more readable, and hence more effective," he says.

Most CNC suppliers would agree with Terry Margetts, sales and marketing manager at Cranfield Precision Systems (CPS), part of Powys-based Control Techniques, that "flat screen has got to come in, but when it's a sensible price".

CPS, which over the past three years has been developing a new mass market system called Flexible Numerical Control, is sampling the flat screen market regularly, says Margetts.

At present, he says, a 10-inch colour flat screen produced in volume would cost £1,750 against £400 for a colour CRT. In black and white, flat screens cost £300, against £125 for a CRT, so they are becoming more viable commercially.

The CNC industry will, as usual, strive to give the machine tool builders what they want and can afford. But CNC suppliers cannot do much about the price of a flat screen. Reductions, Avrell believes, will depend on flat screens penetrating markets outside machine tools, such as in buses and aircraft where space is at a premium.

The number crunchers crack

The data processing department, principal conduit for management information in large organisations, is in jeopardy. It seems unlikely to survive in its present form much beyond the end of the century, unless DP specialists learn to build new and more effective partnerships with their management "customers" it may not survive at all.

This is the chief conclusion of a new study* from Pagoda Associates, a London-based consultancy specialising in the training and motivation of information technology staff. The decline of centralised data processing will be accelerated, it says, by:

● Shrinking computing budgets. A Pagoda survey in the UK revealed that two thirds of big companies are reducing their IT budgets for the first time.

● Decreasing staff numbers. The survey showed that more than half the companies canvassed have cut the number of staff they employ while some central IT functions have disappeared completely.

● Declining influence. A trend in the past two years has been "outsourcing", passing over all or part of the organisation's data processing requirements to an outside computing services company.

Among the reasons for the decline are a reluctance on the part of large organisations to spend more on IT before reaping the benefit of heavy investment over the past few years, coupled with disappointment over attempts to secure a competitive edge through technology.

Pagoda says that in order to ward off the threat of their departments being disbanded or devolved, IT managers are trying to establish a new partnership with their "customers" – business managers who request and make use of data supplied by the DP centre. DP managers have been forced to come down from the remote and isolated computing ivory tower to try to help the business gain real benefits from IT.

The new partnership should ideally have three components:

● IT management must take a wider role in business planning, helping to shape and develop corporate strategy.

● IT management should be increasingly concerned with overseeing the orderly devolution of computing technology through the business, giving leadership and guidance.

● There may still be some data services which can be provided most economically by the data centre and IT management should ensure the efficiency of their operation.

The role of the IT director will change significantly, Pagoda says. There are several possibilities; the IT director could become the computer strategist, responsible for ensuring value for money in IT investments but without service management responsibilities.

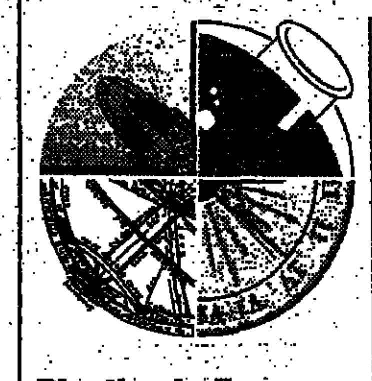
IT directors could become service managers providing commercial cost-effective IT services to the business without responsibility for identifying IT solutions to business problems. Finally, the IT director's role could expand into a board-level position encompassing office services and change management as well as IT services.

Whichever path a particular organisation follows, however, the numbers of IT staff are likely to decline and the skills they will need will change profoundly. Some argue that only 30 per cent of today's staff numbers will be needed in 2000.

Alan Cane

**Building Partnerships with the Business, Pagoda Associates, 55 Neal Street, London WC2. £240 plus VAT.*

Worth Watching · Paul Taylor



Plastics believe in reincarnation

Plastics are a prime source of environmental pollution and the volume of waste and scrapped plastics is increasing every year. Now Mazda Motor, the Japanese car manufacturer, has announced two new developments which should help efforts to recycle and re-use the material.

One is a new decomposing catalyst capable of recovering oils from all types of plastics including chlorinated ones which have previously been difficult to decompose.

The other is said to be the world's first plastic composite which can be reused more than five times. The new material combines a liquid crystal polymer for reinforcement with easy-to-use thermoplastic. It can be used as a structural material, for example in car frames. Mazda: Japan, 82 285 1080.

Cable television takes on CDs

US cable networks typically provide viewers with the choice of around 50 TV channels, ranging from re-transmission of local broadcast stations to specialist premium pay-TV channels, writes Valerie White.

Now subscribers are being offered an additional range of 30 sound channels. But unlike the TV channels, where the source and the transmission are analogue, these sound channels are fully digital, bringing CD-quality sound directly into the home.

To receive them a tuner, costing $199 (£110), is needed which plugs into any cable TV socket. The output from the tuner is then connected to the stereo system, or to headphones. A fully digital output is also available for connection to a Dat (Digital Audio Tape) recorder.

Each sound channel carries continuous music from about 180 CDs catering for most tastes and giving around six days of play without repetition.

The service is being provided by Los Angeles-based Digital Music Express initially on two cable channels in Atlanta, Georgia and costs $6.95 a month. Digital Music Express: US, 310 444 1744.

Shot in arm for typhoid vaccine

Typhoid fever is a threat in many countries with inadequate sewage treatment facilities and poses a risk to the indigenous population and to visitors.

Typhoid vaccines have been available for many years, but while these vaccines have proved effective they often cause adverse reactions. Patients also require several doses of the vaccine.

Now Pasteur Mérieux, the world's largest vaccine manufacturer, has developed Typhim VI, the world's first single shot vaccine against typhoid fever. Unlike earlier vaccines which contain the whole bacterial cell, Typhim VI uses only the part the bacteria which causes the disease.

The new vaccine is effective for more than 95 per cent of recipients, provides protection for three years, can be safely given at the same time as other vaccines and produces far fewer unpleasant side-effects. Mérieux: France, 33 7887 3232; UK, 0628 483040.

Green tyres ride over bicycle pump

Goodbye bicycle pump – it sounds like a cyclist's dream. A British company has developed an innovative bike tyre which is impossible to puncture and is environmentally friendly.

The Green Tyre, which is available in any colour and costs from £12.99 to £19.99, is a non-rubber tyre which will never go flat, is up to 30 per cent lighter than existing tyres and lasts substantially longer.

Made from micro-cellular polyurethane, all chemicals used in the Green Tyre are non-carcinogenic and non-toxic. When they wear out they can even be re-cycled. Green Tyre: UK, 0642 223322.

PEOPLE

Trouble Spot Beckett

Mention the name Michael Beckett and trouble is not normally far away. Hence a few eyebrows may be raised by his appointment as deputy chairman of Watts, Blake, Bearne, the world's biggest ball clay producer.

The 55-year-old ex-managing director of Consolidated Gold Fields seems to enjoy getting involved with troubled companies and while he hesitates to call himself a company doctor he confesses to being a "very independent" non-executive director.

When the institutions became worried last year about Jock Mackenzie's stewardship of Tace, the environmental equipment manufacturer, it was Beckett they turned to for help. He took over the chairmanship and sold the company to Cambridge Electronic Industries for a handsome profit. A few months later he had to take over the helm of Ultramar after the previous well-paid chairman was ousted. Shortly afterwards, Lasmo acquired the company.

Beckett is also trying to revive the fortunes of Monarch Resources, a Venezuelan gold mining company, which launched a £19m rights issue earlier this week. Beckett was brought in as chairman just over a year ago following a major boardroom restructuring.

However, he stresses that his deputy chairmanship of Watts, Blake, Bearne is a far less controversial appointment and is more akin to his non-executive directorships of Ranks Hovis McDougall and BPB Industries.

Profits at what is in some respects still a family-run business have fallen for two years running, and it was the big continental European shareholders - with around 45 per cent of the equity - who approached Beckett for this position.

All the same, WBB is not another Tace or Ultramar and Beckett's appointment further rounds out the board's expertise. Ingram Lenton, a former chairman of Bowater Industries, took over the chairmanship of the company just over a year ago.

Leaving the tracks early

Gordon Pettitt, managing director of BRITISH RAIL's Regional Railways sector, surprised the transport community yesterday by announcing that he was to retire in August after just two years in the job.

The imminent denationalisation of the railways appears to be the main motivation behind his decision. As he explained yesterday, at 58 he is only two years away from BR's compulsory retirement age. If he had stayed on in the job, his departure would have come in the middle of what threatens to be the biggest reorganisation in BR's history.

"I felt it would be better for the business to be led by someone who can take Regional Railways through all the developments that will come in the next few years," he said. "It is important for the staff to have continuity."

Pettitt, a railwayman all his working life, will be succeeded by Jim Cornell, whose present title is director, technical standards. Aged 52, Mr Cornell joined BR in 1959 as a student civil engineer and worked his way up through the engineering side of the railway until he became deputy general manager of ScotRail in 1984, and then general manager in 1986.

He was appointed BR's director of civil engineering in 1988, where he undertook a review of infrastructure costs before he was made director, technical standards, in BR's recent reorganisation.

Cornell, in turn, will be succeeded by Ken Burrage, director of signals & telecommunications engineering.

Tokyo to London for Paribas

Denis Antoine, French investment bank Paribas' top man in Tokyo, has arrived in London to head up the UK operation in succession to Francois de Rancourt.

de Rancourt, 53, had been in London not quite two years before he was called back to Paris as Controleur General, effectively in charge of credit policy for the whole group.

The long-term debt of Paribas was recently downgraded by Standard & Poor's, the US rating agency, largely due to a sharp increase in loan-loss provisions. So de Rancourt's new role is a particularly crucial one for the bank at this point.

Antoine's relocation to London adds another important dimension to a firmly international career. He will be running an operation of some 500 people on the capital markets side, and a slimmed down 150 at the branch - compared with 150 in total in Tokyo.

Aged 46, Antoine had been in Japan since 1983, and has a Japanese wife.

In London, Paribas has fared better than many international banks, managing to counterbalance exposure to the dismal recession-bound UK corporate market with notable successes in equity sales and research and in derivatives products, including swaps.

One priority for Antoine will be to continue integrating banking and capital market services. Paribas is aiming to set up a more cohesive marketing front worldwide - or, as some analysts would say, looking to break down rival fiefdoms.

With Tokyo and New York already ahead of London in this respect, Antoine will be perfectly familiar with the process.

Non-executive directors

■ George Paul, chief executive of Harrisons & Crosfield, succeeds Sir James Cleminson as vice chairman of NORWICH UNION. Peter Holmes has retired from the board.

■ Trevor Osborne has retired from REDLAND.

■ William Bell and Leslie Melville have resigned from COSTAIN.

■ Thomas Whitting has resigned from PROWTING.

■ Sir David Rowe-Ham (above left) as chairman of BREWIN DOLPHIN HOLDINGS.

■ Toby Horton has resigned from ABACA.

■ Sir Derek Birkin, chairman of RTZ, at CARLTON COMMUNICATIONS.

■ William Penny at BOWTHORPE following its acquisition of Penny & Giles.

■ James Nelson, md of Foreign & Colonial Ventures, at VARDON.

■ Lord Lane of Horsell at ATTWOODS.

■ Ian Tegner at T.I.P. EUROPE.

■ David Webster, deputy chairman of Argyll Group, at REED INTERNATIONAL.

■ Elizabeth Filken (above right) to BRITANNIA building society.

■ Sir Raymond Lygo, a former chief executive of British Aerospace, has been appointed chairman of TNT EXPRESS(UK), Britain's leading express parcels carrier. He succeeds Peter Allsebrook who died last year.

Sir Raymond, a 68-year-old retired admiral, has been associated with the Australian-headquartered transport group for many years. His former employer, BAe, supplied aircraft to TNT Express Worldwide and to Ansett Airlines, a TNT associate. He retired from BAe in 1989 and is currently chairman of Rutland Trust and continues to work as a business consultant.

Bodies Politic

■ David Haddican, md of RTZ Metal Stockholders, and Brian McCance, md of Brian McCance (Steel), are president and vice-president, respectively, of the NATIONAL ASSOCIATION OF STEEL STOCKHOLDERS.

■ David Hurst, previously senior education and training officer with the Electrical Contractors' Association, has been appointed the first chief executive of the ELECTRICAL INSTALLATION ENGINEERING INDUSTRY TRAINING ORGANISATION.

■ Dick Gazmararian, md of Mase Westpac, is chairman of the LONDON BULLION MARKET ASSOCIATION.

■ Cecil Marshall is president of the BRITISH HARDWARE FEDERATION.

FT LAW REPORTS

Insolvency statement is admissible

REGINA v KANSAL
Court of Appeal
(Criminal Division):
Lord Justice Russell,
Mr Justice French and
Mrs Justice Ebsworth:
May 12 1992

SELF-INCRIMINATING statements made by a bankrupt at his insolvency examination can be used in evidence against him in any other proceedings, including criminal proceedings for obtaining property by deception.

The Court of Appeal (Criminal Division) so held when dismissing an appeal by Mr Yash Pal Kansal against convictions under the Theft Act 1968 and the Insolvency Act 1986.

LORD JUSTICE RUSSELL said that in February 1992 Mr Kansal was convicted of obtaining property by deception contrary to section 15(1) of the Theft Act 1968, in that he dishonestly obtained cheques of £150,000 and £116,250 from the Halifax Building Society by falsely representing that his annual income was £90,000, that he had never been bankrupt, and that he had no loans or credit card debts.

He was also convicted of the offence of a bankrupt removing property contrary to section 354(2) of the Insolvency Act 1986, in that he removed £104,356 held jointly by himself and his wife, possession of which he would have been required to deliver up to the Official Receiver or trustee in bankruptcy.

His wife was acquitted of aiding and abetting.

Mr Kansal came to the UK from India in 1967, and qualified as a pharmacist. In 1977 he formed a company which flourished until, by 1983, it operated some 20 chemist shops. At about that time he purchased a house with a £60,000 mortgage.

In 1986 the house was remortgaged. The original mortgage was paid off and the balance invested in the business. By then Mr Kansal was encountering financial problems. In February 1986 a finance company obtained judgment against him in respect of a £4,000 loan, and the company went into liquidation in February 1987.

On March 11 1988 a bankruptcy order was made against Mr Kansal. Five days later the Halifax advanced £150,000 on the security of the house, and a further £116,250 a week later.

Those advances formed the subject matter of the Crown's allegation that he had misled the building society.

On March 23 his wife collected £104,356 in cash from the bank, being part of the building society advance, and took it in a bin liner to India.

The Crown alleged that was done at Mr Kansal's instigation with knowledge that the money should have been delivered up to the Official Receiver or the trustee in bankruptcy.

On May 20 Mr Kansal made a statement of affairs pursuant to the Insolvency rules 1986, and a narrative statement to the Official Receiver's examiner.

On July 29 at the Romford County Court, his public examination took place. The Official Receiver asked him a number of questions and elicited incriminating answers.

At Mr Kansal's trial the Crown intended to produce a *transcript of the public examination*, and the bankruptcy file. Judge Rucker ruled that the documents were admissible.

Mr Kansal's appeal basically was against that ruling.

The appeal turned on the proper construction of section 31 of the Theft Act 1968, and the impact of section 433 of the Insolvency Act 1986.

Section 31 provided that a person was not excused on the ground of self-incrimination *under the Act from answering* any question put to him "in proceedings for the recovery or *administration of any property*, for the execution of any trust...", but that no statement or admission made in answering the question should "in proceedings for an offence under this Act" be admissible in evidence against him.

Miss Arden for Mr Kansal contended that bankruptcy proceedings were "proceedings for the recovery or administration of any property" or "for the execution of a trust".

Accordingly, she said, while Mr Kansal was not excused from answering questions in bankruptcy proceedings on the ground of self-incrimination, he was protected in "proceedings for any offence under this Act", ie the Theft Act, his answers being inadmissible against him in those proceedings.

Miss Arden said the bankruptcy process was very much concerned with getting in and distributing the bankrupt's assets and that the words "for the recovery or administration of any property" were apt to cover the duties of the Official Receiver or trustee in bankruptcy, who also executed a statutory trust. She said there was nothing in section 31 that excluded bankruptcy proceedings from the ambit of the section.

Also, she said that the privilege from self-incrimination had been enshrined in the law for centuries and if it was abrogated there should be a counterbalance such as was found in section 31 rendering statements inadmissible in criminal proceedings. She said it was not part of the bankruptcy process to ensure that bankrupts were prosecuted, and the court should shrink from the construction of the statute that lent support to any such result.

Section 433 of the Insolvency Act 1986 provided that "in any proceedings (whether or not under this Act)" a statement prepared for the purposes of the Act "may be used in evidence against any person making or concurring in making the statement".

Miss Arden submitted that that provision must be read subject to section 31 of the Theft Act and that if there was conflict between the two sections, section 31 must prevail. She said it was a specific provision giving protection in a limited field, as opposed to the generality of section 433 (see *Seward v Vera Cruz (1884) 10 App Cas 59,68*; *Blackpool Corporation [1922] 1 AC 34*).

Mr Crystal for the Crown submitted that there was no warrant for the suggestion that section 31 embraced or was ever intended to embrace bankruptcy proceedings.

He said section 31 related to civil proceedings *inter partes*, where a claim was made in relation to property which had been acquired in circumstances of an incriminating nature. The normal privilege against self-incrimination was abrogated by the terms of section 31 in such proceedings.

Bankruptcy proceedings on the other hand, he said, had no *lis*. They were not adversarial and the whole statutory scheme of bankruptcy had a different purpose and objective when compared with civil proceedings properly so-called. The objectives of the statutory scheme for bankruptcy, found in the 1986 Act and the 1986 Rules, were to enable the bankrupt's affairs and dealings to be investigated under court control; to provide statutory machinery for collection and rateable distribution of his available assets; and to rehabilitate him through the process of discharge.

He said the privilege from self-incrimination was abrogated in bankruptcy proceedings, not by the opening words of section 31 of the Theft Act, but by rule 6.175 of the Insolvency Rules – "(1) The bankrupt shall... answer all such questions as the court may put... (5) The written record may in any proceedings (whether under the Act or otherwise) be used as evidence against the bankrupt..."

Thereafter section 433 of the 1986 Act rendered the evidence admissible.

Mr Crystal's submissions were right.

Section 433 was not a provision of general application subject to a special exemption created by section 31 of the Theft Act.

It was concerned with admissibility of a special class of document derived from insolvency in "any proceedings" whether or not under the Insolvency Act or the Theft Act.

The section was not concerned with privilege, but with the admissibility of evidence. Its terms were clear, unambiguous, unequivocal and were not subject to any exceptions.

In Mr Kansal's case, his privilege against self-incrimination was abrogated by the insolvency legislation. Once that situation arose, section 433 came into play.

Section 31 of the Theft Act was not capable of protecting Mr Kansal. The judge was right to admit the evidence. The appeal against conviction was dismissed.

For Mr Kansal: Mary Arden QC and Richard J Haworth (assisted by the Registrar of Criminal Appeals).

For the Crown: Michael Crystal QC and Peter Gower (Crown Prosecution Service).

Rachel Davies
Barrister

ARTS

Exhibition/Susan Moore

Aztecs and injuns

Perhaps no account of the fate of the Amerindians since Columbus could be dispassionate. *Home of the Brave*, its title ironically provided by The Star Spangled Banner, takes a highly charged subject and does all it can to elicit an emotional and political response from its audience as it is propelled from 15th century Castile to the White House. In more ways than one, this "amazing new museum experience" is a provocative as well as spectacular European contribution to the Columbus quincentennial.

It is indeed an experience, a touring, £2m, multi-media tour-de-force organised by Glasgow Museums and the Fondation Mecenat Science et Art of Strasbourg. Visitors make their way through a sequence of dimly lit stage-set galleries which chart the discoveries of the Americas and the relentless quest for Eldorado. We travel with Columbus to the Bahamas and the Caribbean islands, with Cortés to Mexico, Pizarro to Peru, and Jacques Cartier to Canada. En route we encounter a recreated pueblo village and an Iroquois longhouse.

As we progress, our cordless headsets pick up the music specially composed by Phillipe Eidel, background sounds of dripping rain forest and crackling fire, plus the narrative from the short films playing on the wide TV screens clustered at seven different sites. There are things to touch: an Olmec stone jaguar head from 1500BC Veracruz; a buckskin; a snowy feather headdress and a recently carved 4m high totem. The borrowed tepee even offers the lingering fragrance of the camp fire. Effects and videos are exceptionally well done, and the headsets ensure peaceful viewing even if surrounded by schoolchildren. The pitch is popular, but the quality of the exhibits is sufficient to captivate the enthusiast for hours.

Glasgow has chosen to focus its show on peoples already familiar to its audience, and British museum collections unsurprisingly boast rich holdings of North American Indian artefacts.

A far greater treat, however, is the astounding and generous loans from Mexico. Here are dozens of sculptures, bas reliefs, frescoes, ceramics and other ritual artefacts that have survived from the pre-Columbian civilisations of South America. What is maddening is that one wants to know more about the objects than the bald captions supply, and the book – rather than catalogue – accompanying the show does not oblige.

An elaborately carved chalk head from 500-700AD Chiapas, its intertwining symbols forming a pictorial text, introduces us to a group of Mayan rarities. A second gallery concentrates on the remarkable clay figurines and vessels produced 1150-100BC, largely by the Olmecs or under their influence. One naturalistically relaxed Guerrero figure from 1150-100BC is of a well-coiffed woman sitting cross-legged in a fringed skirt, her left arm supporting her weight. The garment draped across her shoulders might almost be a cardigan. Zapotec funeral urns depicting various divinities are another highlight.

No doubt much interest is generated by the basalt figure of one of the 400 Aztec gods of intoxication, and by the objects associated with the last years of Aztec human sacrifice. Flint knives, some decorated with eyes and teeth, were used to cut out human hearts which were then offered to the sun to refresh the cosmic energy. Such rituals were to horrify the Spanish Conquistadores, but was their own Auto da Fe any less morally reprehensible?

Inevitably, the exhibition book is able to explore more fully the circumstances that compelled the confrontation of the Old and the New Worlds, the subsequent devastation and, at times, the vital merging of the two. (*Americas Lost*, edited by Daniel Lévine, published by Bordas, £19.)

One of the strangest aspects of the chance discovery of the new continent is how, again and again, the native Americans offered so little resistance to relatively few Spanish troops and accepted their subjugation. Most of them, it seems, anticipated the return of white and bearded divinities. That helps us to understand why the Amerindians were literally demoralised when the whites revealed themselves not as gods but as slaughterers and oppressors. Their whole concept of the world was destroyed.

Certainly the record of the European presence in the Americas is shameful. It is estimated that some 80 per cent of the native population disappeared during and immediately following the Spanish Conquest. Smallpox and measles brought death to thousands. The Old World gave its diseases, but took land, slaves, and the plundered the continent's mineral resources. The great monuments of the Aztec and Inca empires which had so amazed the conquistadores were razed to the ground, and Catholic churches erected in their place.

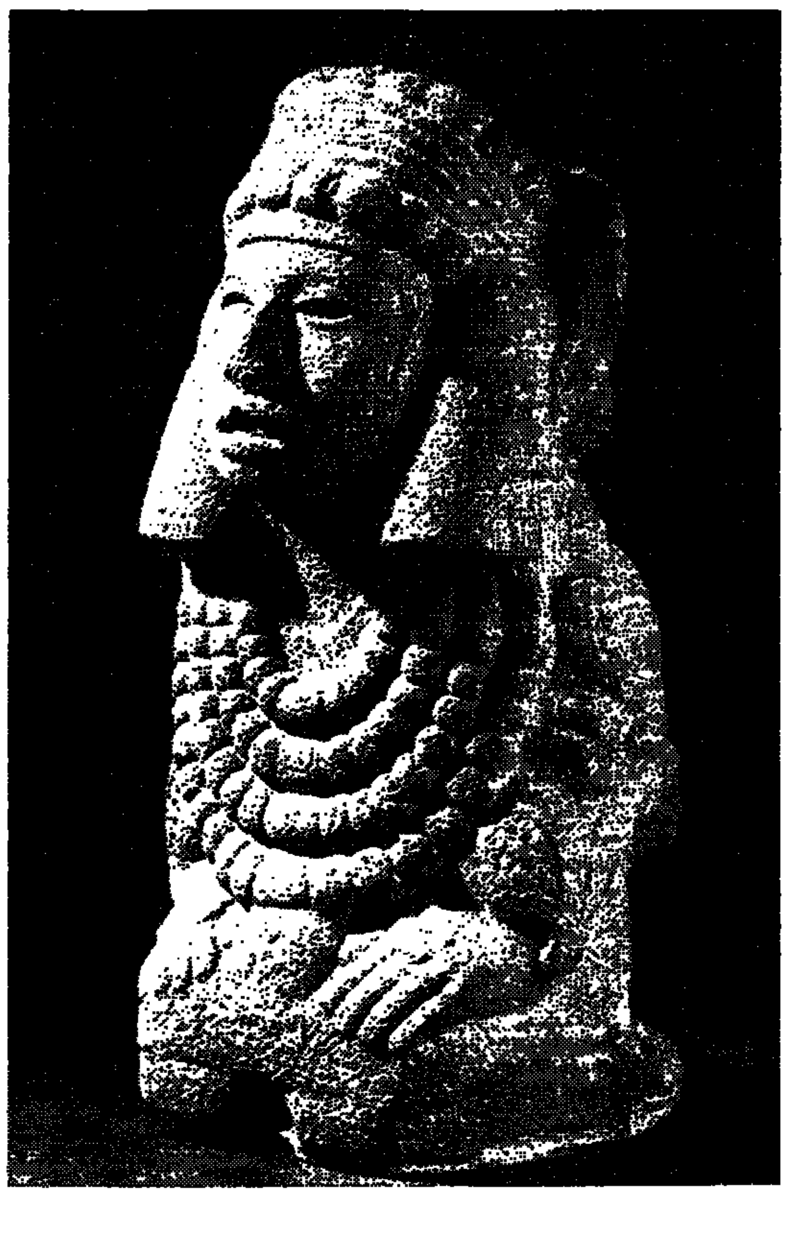
Unlike the Spanish, the British and French in the North showed little inclination to intermarry and preferred to colonise Indian land. By the late 1770s, the colonial population outnumbered the Indians. By the end of the 19th century, the Indians had all but shared the fate of the buffalo. It is with the history of the North American Indian that the exhibition, unlike the book, loses its balance and objectivity.

We find a muslin tunic taken at the Battle of Wounded Knee in 1890 – complete with bullet hole – among the pieces placed in old-fashioned museum display cases. This presumably signifies the end of the living culture of the Redskin and the beginning of the villainous White Man's ethnography. In the same room, called "The Old Museum", the TVs run the old cowboy and injun movies that celebrate the pioneer's version of American history.

"Pacified America" offers an emotive climax. Its walls are lined with colourful hand-blocked panoramic wallpaper first produced by Zuber in 1834, and which hangs in the White House. Entitled "Scenic America", its portrays the North American Indian reduced to the indignity of curiosity as he dances for the amusement of the white man. In the centre of the room, exhibited behind a wire fence, are a dozen of the 40,000 sepia photographs taken by Edward S. Curtis at the turn of the century to record the fading glory of the redskin. They make a mockery of the words of the Star Spangled Banner resounding in our ears.

In their simplistic portrayal of Indian life, the organisers of this otherwise excellent exhibition are in danger of romanticising the North American Indian and simply replacing the myth of the western with another of late 20th century making, ecologically sound and politically correct.

The exhibition continues at the McLellan Galleries, Glasgow, until September 20, then on to Paris, Strasbourg, Munich, Lyon and Bordeaux



Aztec figurine exhibited in 'Home and The Brave', Glasgow

Pop/Antony Thorncroft

Dire Straits

Dire Straits are deeply unfashionable. You can't make so much money over so many years appealing to the Woking classes without getting it in the ribs from urbane critics. The fact that the band dresses like a bunch of window cleaners gives the criticism some weight.

For Earl's Court, on yet another leg of a global sweep (with sponsors Philips adding more weight to their wallets) they made no attempt to convert the unconvinced. This was a performance relaxed to the point of inertia. Even the jokes were laid back: near the end, after the first jangling bars of "Money for Nothing", leading Strait Mark Knopfler shook his head, folded his arms, and pretended to go on strike. The rest of the group was spotlighted, swinging their legs, drinking ale, equally reluctant to perform the most celebrated anthem to pop excess. What a tease! Within a minute they were back to work, churning out one of those infectious melodic lines which make Dire Straits accessible but chunky.

Knopfler can afford the best backing musicians and Chris White on saxophone and Paul Franklin on steel guitar fleshed out the sound, occasionally to the point of excitement. The problem is that Knopfler's output as a composer is variable. A decade or so ago every song was a coconut; now there are some dodgy walnuts among them. Its always roughly the same sound but the version from the days of "Sultans of Swing" and "Romeo and Juliet" is so much more enjoyable than the later work in which Knopfler shows off his newly acquired social conscience.

But for all the blandness Dire Straits are polished and professional. It is a criticism that you find yourself watching Knopfler on the screen, where close ups catch his fingers magically milking the frets, rather than the long distance static view of the man live. His guitar virtuosity seems as God given as Clapton's: and, within limits, Dire Straits are prepared to have fun. "Sultans" was given a performance that was almost minimalist, with Knopfler biting off the lyrics, and the band embroidered some of the melodies with improvised snatches of everyone from Diana Ross to Wayne Shorter.

Dire Straits have always delivered to the format, and there was little tedium in a set that generously extended two hours. There was little mind blowing passion either, but that's not the band's bag. This was pop music's answer to a double bill of Beethoven and Tchaikovsky, excellent for corporate entertainment and for sending the audience out whistling the tunes. Ideal in fact for the start of the London Season.

Concert/Richard Fairman

Songmakers' Almanac

The timing of this programme on Wednesday by the Songmakers' Almanac was delightful. Under the title "Community Singing" it set out to hymn European unity on the very day that newspaper headlines were proclaiming the dream of unity gone for good and the Community locked in discord – a different song altogether.

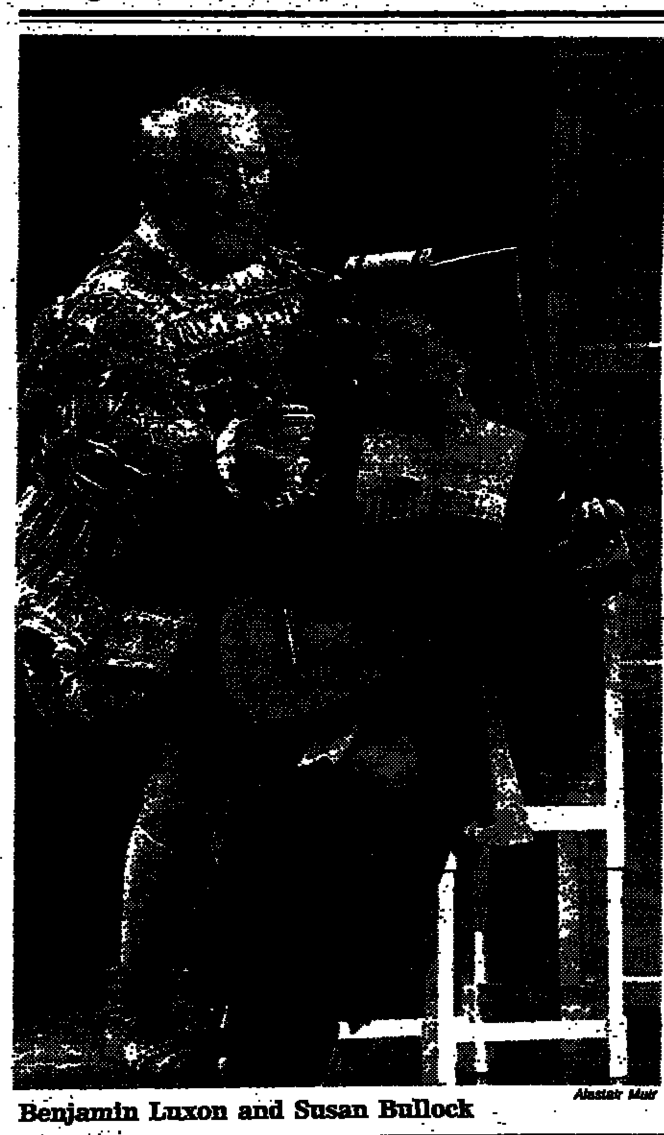
As the programme reminded us, however, the issue of Europe as a single nation has been in the minds of men for a century and more. This recital was in the British Library's Stefan Zweig series and it was the words of the Austrian writer that provided the running theme of the evening. On the day that Blériot crossed the Channel, Zweig apparently declared that there was no longer any point in "guards, customs controls and border duties", which sounded like heresy being recited here at St John's, Smith Square, so close to the Palace of Westminster.

In words or music Graham Johnson had sought to find connections among the 12 EC countries. The programme was effectively an intricate study of the cross-fertilisation that has taken place between the various cultures and it was a shame that its balance was upset by the last-minute absence of the soprano, Nancy Argenta. Her replacement, Richard Jackson, found himself awkwardly asked to deputise as a baritone Ellen in one of Schubert's Sir Walter Scott settings.

That was one of many songs in which the composer chose poetry in a language other than his own. Sarah Walker, for example, gave us Poulenc setting Shakespeare and Haydn's solo Italian cantata *Arianna a Naxos*. Almost every British mezzo must be tired of being compared to Janet Baker by now, but for scalding Italian passion there really has been nothing to compare with Baker in this particular piece, even if she did not have Walker's rasping chest tones.

Of the three singers, Martyn Hill was in the most consistently good voice. He offered Roussel tackling James Joyce and Gounod's seductive "Maid of Athens" to words by Lord Byron, a gift of a song that Johnson at the piano milked for all its worth. Then, to finish, a sensitively shaped performance of Britten's *Six Hölderlin Fragments*, a short cycle which finds English composer and German poet uniting in search of the Greek ideal.

All told, there was music or poetry from most of the EC countries – but not Denmark. Perhaps the Songmakers' acute ear had caught a pre-echo of the events to come.



Benjamin Luxon and Susan Bullock — Alastair Muir

Opera/David Murray

Falstaff

At the Coliseum Mark Elder conducts Verdi's last opera with great fluency and even passion, though when the music must wear a magical delicacy he achieves that too. This is a revival (with support from Mrs Donatella Flick) of David Pountney's 1989 production. Amongst the entire cast – none of them bad – there is a general air of eagerness to please, and they attacked the all-in final fugue with enough exuberance to make a satisfying end. So far, so good; but not good enough.

Marie-Jeanne Lecca's designs are as unappetising as ever. Though there are coy hints of Elizabethanry in both the peculiar costuming and her basic set – a central tower which contains Falstaff's snug at the Garter Inn in its hollow and rotates boringly, and three sides of skeletal house-fronts numbered 1 to 8 with mail-slots – the effect is wilfully scatty. It removes any sense of period or of place (not Windsor, not even England: Miss Lecca hails from Romania), from an opera where those things fix the terms of the action. By the time we get to the nocturnal *dénouement* in Windsor Forest, it hardly matters that the rustic spookery is rendered in pinball-era lighting effects.

In fact the Windsor locals are garbed as Suburbanites from Hell, or from Outer Space. The respectable "merry wives" are squeezed into bizarre little dresses and large bonnets, Mistress Ford's dangerously jealous husband into a ludicrous gangster-suit which denies him either bourgeois dignity or paternal menace. As so often now, Mistress Quickly's lower social status is erased, though Anne Collins sings her with the right fruitiness – and as much broad, sitcom mugging-to-the-audience as everybody else. Pountney's great gifts as a producer have never extended to eliciting humane detail from his operatic actors.

When *Falstaff* is thus reduced to featherweight farce, the subtle insights of Verdi's masterly score cannot register. His characterisations-in-a-phrase pale away if Falstaff is only a loon, the merry wives are never flirting with real danger, and the young lovers' plight amounts to no more than a temporary embarrassment about how to tell Daddy. From Malcolm Donnelly's blunt Ford, you would never have guessed that his anguished Act 2 soliloquy can make a powerful concert-piece.

At first sighting Benjamin Luxon's Falstaff looks ideal, but thereafter he takes the role no further than an amiable old buffer's bemused innocence. His reactions are never gross, nor seriously choleric; neither does he overween or bluster. Instead of the Falstaff we know and cherish, he is somebody quite similar but much nicer – and infinitely duller. The Luxon baritone no longer carries a Falstaffian weight; still, it would have made a sharper impression if his singing pitch had been less often vague or indeterminate. Donnelly's Ford suffered from that too, and Terry Jenkins' Dr Caius.

Susan Bullock and Yvonne Howard make sturdy merry wives, without any shadings to notice. Alison Hagley's Nannetta looks too modern and knowing for her music, but sings it with grace; better still her tenor swain, though Bonaventura Bottone's visible *persona* – flash and spivvy, a stand-up comic – is weirdly wrong. All the other ENO principals have been here before, neither better nor worse.

Though turning the Verdi-Boïto *Falstaff* back into English might seem a bonus, the language is an insuperable problem. For all the resourceful wiles of Amanda Holden's translation, there are just too many pungent phrases that Verdi composed irrevocably in Italian. Syllable for syllable, they refuse to go into natural English with anything like the pithy eloquence that inspired Verdi's setting – but hasn't touched the performers here.

*

While *Falstaff* brings ENO's season to a close, the Royal Opera is in the middle of its busy summer schedule. The production of *I Puritani*, which won general approval when it opened a few weeks ago, is still in repertory, a stalwart try at Bellini's difficult English Civil War opera, driven along with combative vigour and not a small degree of noise from the pit.

Into the thick of the melee for the last two performances has stepped a new and delicate heroine Elvira. Sumi Jo has been having a busy time at Covent Garden, first with her faultless mechanical doll Olympia in *Les Contes d'Hoffmann*, then as Adina in *L'elisir d'amore*. The role of Elvira takes her a lot further and, at times, right to her limit. The voice is pure but small, and trying to dominate the ensemble at the end of Act 1 left her with not an ounce of tone to spare.

Nevertheless, she stayed the course and used her resources cleverly to best effect. The coloratura was fluent if not dazzling; the lyrical solos were shaped with real musicianship, even when there was not the range of colour or force to drive an important line home. As a petite, girlish Elvira, she knows how to hold the stage and was by no means overshadowed by the more domineering among her colleagues.

I Puritani does not come round often and this adds up to a decent enough performance of it to warrant a visit. There is one last chance to catch the show tonight.

Richard Fairman

Falstaff remains in repertory at the English National Opera to 20 June

INTERNATIONAL ARTS GUIDE

Mikhail Baryshnikov returns to the New York stage this month for six performances with City Ballet at the State Theater. He will dance George Balanchine's Duo Concertant (June 13, 18, 19) and give the New York premiere of a new solo work by Mark Morris, entitled Three Preludes (June 16, 24, 27). City Ballet's season ends on June 28 (870 5570).

The Kirov Opera makes its North American debut next month (July 8-18), taking up residence at the Metropolitan Opera immediately after the Kirov Ballet's short season. Valery Gergiev will conduct the St Petersburg company in performances of The Fiery Angel (in the production by David Freeman recently seen in London), The Queen of Spades and the Tarkovsky production of Boris Godunov (362 6000).

Lincoln Center will present a week of classical jazz from July 31 to August 8. The programme, masterminded by trumpeter Wynton Marsalis, includes celebrations of Thelonious Monk's compositions, early New Orleans jazz legends such as Jelly Roll Morton, Duke Ellington's compositions inspired by women, the art of tap dancing and the collaborations of Miles Davis, John Coltrane and Cannonball Adderley. Among the artists taking part are Marsalis, pianist McCoy Tyner and saxophonist George Coleman (Center Charge 721 6500).

The Tanglewood Festival, the summer home of the Boston Symphony Orchestra, opens on June 26 with four evenings of chamber music. The first symphony concert is on July 3, when Seiji Ozawa conducts Dvořák's New World Symphony and Anne-Sophie Mutter plays Mozart's Fifth Violin Concerto. Festival guests include Roger Norrington, Jessye Norman, Yo Yo Ma, Charles Dutoit, Carol Vaness, Itzhak Perlman and James Galway.

The season ends in late August with a jazz weekend featuring Ray Charles and the Dave Brubeck Quartet (Ticketmaster Boston 931 2000 New York 307 7171).

EXHIBITIONS GUIDE

AMSTERDAM
Stedelijk Museum The Great Utopia: the Russian Avant-Garde 1915-1932. A landmark exhibition covering the development of the Russian avant-garde in all its facets before the dissolution of independent artist groups by Stalin. It includes architectural drawings and models, theatre decor and photography, as well as paintings and sculpture. Most of the exhibits are on loan from public and private collections in Russia. Ends Aug 31. Daily
CHICAGO
Art Institute Masterpieces from the National Gallery of Ireland: 44 paintings by Mantegna, Titian, Gentileschi, Poussin, David, Velasquez, Gainsborough and others. Ends Aug 9. Also Jacob Lawrence: 63 works from the remarkable series of historical illustrations first exhibited by the African-American artist in 1938. Ends Aug 2. Patrick Tosani: enormous colour prints by the French artist. Ends July 19. Daily
DRESDEN
Albertinum Hidden Treasures of the Dresden Sculpture Collection: an exhibition of works from the Middle Ages to the 20th century, not seen in public since the Second World War, including the 12th century Otzdorf Madonna and works by Canova and Rodin. Ends Aug 9. Closed Mon
Schloss Pillnitz Wolfgang von Wersin (1882-1976): an exhibition illustrating Wersin's impact on the design of 20th century household objects made of glass, wood and ceramics. Ends Sep 6. Closed Mon
GIVERNY
American Museum Lasting Impressions: American painters in France 1865-1915. An inaugural exhibition of 90 canvasses by 40 painters. Mary Cassat, John Singer Sargent and Theodore Robinson among others celebrate the influence which the French Impressionists especially Monet had on the colony of visiting American artists, captivated by Monet's fame and the landscape and light of Giverny (70 km from Paris). Ends Nov 1. Closed Mon (99 rue Claude-Monet, Giverny, 27620 Gasny, tel 3251 9465)
GOTHENBURG
Art Museum Carl Larsson: bicentenary tribute to one of the most idiosyncratic figures in Swedish art, with more than 300 works ranging from juvenile drawings to the monumental paintings and illustrations of his maturity. Ends Sep 30
LONDON
Tate Gallery Turner and Byron: 70 works exploring Turner's interest in Byron's poetry. Ends Sep 20. Also William Blake (1757-1827): the apprentice years, focusing on the influence of his time with the commercial engraver James Basire. Ends Aug 16. David Hockney: Seven Paintings. Ends July 26. Daily
Institute of Contemporary Arts Mike Kelley: installations by one of the most important young American sculptors. Ends July 19. Daily
Royal Academy of Arts Summer Exhibition: the world's largest contemporary art exhibition, drawing together some of the finest examples of work by living artists. Ends Aug 16. Daily
Dulwich Picture Gallery Treasures of a Polish King: an exhibition on loan from Poland, showing what little is left there of the collection of the 18th century king Stanislaus. Dulwich's own, much richer collection of Stanislaus's treasures is in Poland on an exchange loan. Ends July 26
MADRID
Centro de Arte Reina Sofia Pop Art: a survey of the 1950s and 1960s movement popularised by Andy Warhol. Ends Sep 13. Also Marcel Broodthaers (1924-1976): 200 works and films by the Belgian artist. Ends June 28. Closed Tues
MANCHESTER
Whitworth Art Gallery The Quaker Tapestry: 75 embroidered panels contributed by more than 300 people, exploring Quaker history and experience. Ends June 27. Also Into the 60s: a look at how painting and sculpture reflected the radical changes in British society in the 1960s. Ends Oct 26. Closed Sun
MUNICH
Kunsthalle der Hypo-Kulturstiftung Caricature and Satire: 500 years of pictorial comment on contemporary life and politics. Ends Aug 9. Daily
NEW YORK
The Drawing Center Guercino: an exhibition of 60 drawings on loan from Windsor Castle, one of the highlights of the international celebrations of the artist's 400th anniversary. Ends Aug 1
Whitney Museum of American Art The Paintings of George Bellows (1882-1925): more than 60 works by an artist who captured the vitality of American life at the turn of the century. Ends Aug 30. Also Gifts and recent purchases: 200 works by artists including Jasper Johns, Robert Rauschenberg and Bruce Nauman. Ends Sep 20. Richard Prince (b1949), controversial artist who originated re-photography. Ends July 12. Closed Mon
Metropolitan Museum of Art Korean Ceramics from the Ataka Collection: 114 exquisite works surveying the full flowering of Korea's ceramic tradition from the 10th to 19th centuries. Ends July 12. Also Andrea Mantegna. Ends July 12. Royal Art of Benin. Ends Sep 13. Closed Mon
PARIS
Musée Guimet From the Tagus river to the Chinese Sea: a Portuguese maritime epic, with ceramics, porcelains and gold brocade bringing back the magic of Portugal's commercial links with the East Indies from 1513 onwards. Ends Aug 31. Closed Tues (6 place d'Iéna)
Le Louvre des Antiquaires The Gardens of Baron Haussmann: documents, plans and engravings showing Paris of the Belle Epoque, with the Bois de Boulogne, Bois de Vincennes and other parks created at the behest of Napoleon III. Ends Oct 4. Closed Mon (2 place du Palais Royal)
Galerie Schmit French Masters of the 19th and 20th centuries, including a poetic Balthus landscape, a Courbet portrait of his father and a Derain. Ends July 16. Closed Sun (396 rue Saint Honoré)
Centre National de la Photographie Annie Leibovitz: photographs 1970-90. More than 100 of the dynamic portraits that have helped shape and define the look of American popular culture. Ends July 27 (Palais de Tokyo, 13 ave President Wilson)
Grand Palais The Vikings. Ends July 12. Closed Tues, late opening Wed (ave du General Eisenhower)
ROME
American Academy Piranesi: architectural drawings 1764-67, on loan from American museums and private collections. Also Annual Exhibition: paintings by eleven American artists. Ends July 5. Daily
ROTTERDAM
Museum Boymans-van Beuningen From Pisanello to Cezanne: more than 100 drawings offer a survey of the museum's own collection and of West European draughtsmanship from 1400 to 1900. Ends July 12. Also Jörg Immendorff (b1945): paintings, many in extremely large formats. Ends Aug 23. Closed Mon
STOCKHOLM
Nationalmuseum Louis Jean Desprez (1743-1804): topographical views, stage decorations and architecture by the French designer who captivated Sweden's King Gustav III with his extravagant, fantastic stage sets. Ends Oct 4. Closed Mon

FINANCIAL TIMES

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Friday June 5 1992

How not to cut public spending

THE PRIME Minister has warned his cabinet that this year's public spending round will be especially tight. At the Treasury, the Chief Secretary, Mr Michael Portillo, flag-bearer of the Thatcherite tendency, should be true to the prime minister's word. He needs to be. But he should also eschew the standard Treasury approach, which ensures that the government does too much, all of it equally badly. What is needed is a more radical rethinking of public spending.

So naturally unradical a prime minister will find this uncomfortable. But powerful forces will drive Mr Major in that direction: foremost among them the state of the public finances. The chancellor of the exchequer insists he is sticking to his forecast of a £28bn public sector borrowing requirement this year. If so, that would be the only forecast he will be able to stick to. Growth will probably be lower than the 1 per cent forecast in the budget. Unemployment is also bound to be higher than the forecast of 2.4m, on which the spending estimates were based.

Nor are slow growth and high unemployment the sole reason for the fiscal deterioration. Over the past year, discretionary increases have done almost as much as recession to boost public spending, now some 43 per cent of gross domestic product.

Economic growth cannot be relied upon to come to the rescue. The Treasury has consistently hoped that the economy would start to grow strongly in the not too distant future. It has proved consistently wrong. Since the public sector deficit is highly sensitive to the rate of economic growth, slow growth, never mind continued recession, would play havoc with Mr Portillo's sums.

The prime minister has also chosen two rods for his back. First, his citizen's charters impose standards on the public sector that people will expect to be met. Second, he has committed the country to the Maastricht convergence criteria, prominent among which is a target of 3 per cent for the ratio of the general government deficit to GDP, this being well below current magnitudes.

The standard Treasury response is penny pinching. The heaviest cuts will fall on the least well defended programmes, with investment cut most savage of all.

There is another way, one that only a government at the beginning of its term could attempt. The watchword should be the chief secretary's words: "unlike the Labour party," he has said, "we do not believe in the inexorable growth of the reach and size of the state. Nor do we believe that the state can and should try to solve all our problems."

How might these words be put into practice? First, valuable investment should be defended from the squeeze on spending. More fundamentally, the government should ask of every area of activity whether the public sector need to do this at all and, if it does, whether users should make a financial contribution.

Mr Major will shy away from such questions. But he must accept the implications of failure to do so: either the government will be driven towards higher taxation or it will fail to deliver the high-quality services it has promised. Government need not be a penny-pinched nanny. Mr Major should ensure it is not.

Euro-deals

WHEN IS a Euro-merger not a Euro-merger? The question was central to the recent argument over whether the rival bids for Midland Bank by Lloyds and the Hongkong and Shanghai Banking Corporation (HSBC) should be examined by competition authorities in Brussels or London. Now the issue has arisen again over the vetting of the planned $2.5bn takeover by Nestlé, the Swiss food group, of Perrier, the French mineral water company.

In the Midland case, matters were resolved after EC merger authorities decided to limit their scrutiny to the HSBC offer – which they swiftly cleared – leaving the UK Monopolies and Mergers Commission with sole jurisdiction over the Lloyds bid, which is still being investigated. In the event, that was a sensible compromise because an HSBC-Midland merger might have had competition implications at the EC level, while Lloyds' offer bore exclusively on the UK market.

The issues in the Nestlé-Perrier case are different. The European Commission has launched a full investigation into the deal on the grounds that it could damage competition in just one national market, France, where Brussels estimates the merged company would account for more than half all mineral water sales. That approach is strongly contested by Nestlé, which argues that the relevant market against which the merger should be judged is the EC as a whole.

As a general principle, it would be greatly preferable for the EC to leave national authorities to examine large mergers which potentially affect competition in only one country. However, the French government has chosen – at least partly for domestic political reasons – not to refer the Perrier deal to its national competition commission. As a result, Brussels is the only authority available to handle a deal which clearly demands anti-trust scrutiny. The case for an EC investigation is strengthened by the risk that the merged company could use monopoly profits earned on the French market to distort competition elsewhere in the Community.

However, while the particular circumstances of this case justify Brussels' involvement, it is a second-best solution. Effective merger control requires firm and consistent regulation by independent authorities at both the EC and the national level, with clearly defined jurisdictions and common criteria for judging deals. Trying to muddle through with a patchwork system which avoids jurisdictional conflict only by accident will simply create increasing legal anomalies, political friction and business uncertainty.

Hard training

JOURNALISTS always think that leaked documents are the most exciting; in the case of the tortuous debate about improving Britain's training system, leaked documents also seem to be the clearest.

Recently there have been two: one from the business people who run the fledgling training and enterprise councils and a second from Sir Geoffrey Holland, permanent secretary at the Department of Employment.

The Tec leaders' note is of interest mainly because of the unrestrained language in which it makes its case that "the Tec movement is on a knife-edge". It argues that Tecs know their purpose and have the energy and expertise to deliver, but they are being impeded by Whitehall inflexibility and shortage of funds.

Sir Geoffrey's note has benefited from the thinking time allowed to civil servants during a general election campaign. It is essentially a memo to the new minister, taking stock and setting an agenda. As such, it is a good deal sharper than any recollectable political speech on this subject.

Sir Geoffrey argues that Tecs are fragile ("dented but not irrecoverably") and in danger of losing momentum. He explores three main remedies: the adoption and vigorous pursuit of clear and publishable targets; a better relationship between Tecs and their local education systems; and a more effective national-level umbrella body.

The most striking thought which occurs in response to this list is the extent to which it points a finger at the government itself. The Thatcher/Major administrations have vacillated wildly about targets, declined to require any formal link between Tecs and local education authorities and resolutely defended the congeries of committees and cabals which has connected the Tec network and central government.

This is then followed by a second thought. Local education authorities are central to improved vocational education. But in pursuit of its education reforms the government is drastically changing and perhaps destroying them, without adequately considering how they are to be reshaped or replaced.

This is no way to treat the Tecs, charged as they are with such an important aspect of Britain's competitiveness.

Targets, based upon the emerging system of national vocational qualifications and the floundering Investors in People "kitemark" for training, are a prerequisite both for motivating Tecs and for judging their performance, which ought in turn to be the eventual basis upon which they are funded. Coupled with an appropriately flexible institutional structure, based upon the now familiar purchaser-provider model, these changes would do much to renew the momentum of Tecs.

And who knows, in the promised world of open government, perhaps those involved could then also communicate in public.

Bets are off in a three-horse race

Ross Perot's rise in the US presidential contest marks a breakdown in traditional party politics, says Jurek Martin

The United States is now sailing in waters politically uncharted in 80 years. Three candidates, not the usual two plus or minus a distant third, want to be president and any one of them could make it. All the standard electoral calculations are rendered for the moment suspect. Proving the point, California, the biggest state and supposedly its trendsetter, held a primary on Tuesday – and hardly anyone noticed or cared.

Serious three-horse races in the US are rare, as in Britain. The last approximation to what could happen here was in 1912 when former president Teddy Roosevelt, running on the ticket of the independent Bull Moose party, won nearly 30 per cent of the vote. No other independent has since hit double digits except George Wallace from Alabama in 1968, and he was, in the end, strictly a regional candidate, albeit one who helped put Richard Nixon in the White House.

But Ross Perot is a completely different sort of independent candidate. All the others of note this century had party roots – Teddy Roosevelt, Robert LaFollette, Henry Wallace, Strom Thurmond, George Wallace, John Anderson. Mr Perot not only springs from no party, he is above, beyond and without party. He conforms to tradition only in that he is a populist, a long line, to be sure, but one normally confined to state boundaries, like the Kingfish, Huey Long of Louisiana.

Mr Perot, it must be said from the outset, could also prove to be one of the greatest ephemeral and illusory candidates of all time. His current popular standing, at least level with President Bush and usually ahead of Governor Bill Clinton, is attested to only by exit and public opinion polls of smallish samples and, more persuasively, by the insistent buzz on the talkshow airwaves and the mini-rush to his cause by some political veterans, like Ed Rollins and Hamilton Jordan. To know Ross Perot, as the country still does not, may not be to love him.

Six short weeks ago, the most that sobersided political observers would concede was that he might be a factor in some states, like California, always freaky, and Texas, his home. The basic question then was whether he would hurt Mr Bush or Mr Clinton more, on which opinions were divided.

That is no longer the case; the same sobersides may still not believe in their experienced minds that he will win, but their noses and their ears are picking up smells and sounds that he might. He may lack all the conventional attributes of a successful campaign – organisation, policies, advice, core constituencies, everything with the exception of money – but if the country is as angry as it seems then conventional wisdom matters less.

Why is this so? It does stretch credulity that a funny looking tycoon with a Texas twang, known to be intolerant of disagreement, inclined to cut corners in the pursuit of his goals, notorious for a folksy wisdom stuffed with inconsistencies, and almost wilfully ignorant of some of the great issues of our time, should be even considered as the popular choice to run the most pluralistic, complex and constitutionally enshrined democracy the modern world has produced.

The answer lies in part in the previous sentence. Americans want solutions, not explanations, and he promises action. They are desperately disappointed with the two party system, which has been in decline for a generation. Mr Perot has found a new way to manipulate the establishment media, principally by ignoring it. He has money, his own, to burn, which means that at least his own campaign is not being financed out of taxpayer pockets. He is not now, nor has he ever been, a regular or intimate member of the establishment, though he has supped with it.

But mostly his improbable rise is a reflection of the alternatives, George Bush and Bill Clinton. For Mr Clinton, in particular, this must seem profoundly unfair. Having proclaimed himself the candidate of "change," and made a detailed case for what should be done, he finds Mr Perot stealing his clothes without ever saying specifically what he would do instead. Having tried to pull the Democratic Party towards the sort of centre considered necessary to win elections, he is now possibly more dependent on the liberal special interests which still constitute its core.

Admittedly Mr Clinton was never his party's first choice, only emerging after the Democrat heavyweights last year declined to take on an overwhelmingly popular president. But his sense of Mr Bush's vulnerability was right. More than that, he had to fight through scurrilous coverage of his private life – wounds still not healed in the public perception – and yet managed to beat back Democratic challengers of left and right. But the emergence of Perotism, plus the distraction of the Los Angeles riots, has meant that the better he has done in the primaries the more he has been ignored.

Mr Clinton is tough and smart and in this for the duration. What nobody can figure out any longer is what President Bush is in it for, or indeed even whether his heart is in it. This does not mean he is going to lose, but his reelection, apparently so certain six short months ago, is no longer assured.

It is hard to convey the magnitude of the indifference with which the president is now regarded at home. In the end Richard Nixon was loathed because he had deceived and Jimmy Carter was dismissed because he had disappointed. It is much harder to point a specific finger against Mr Bush simply because the target seems so insubstantial. But it is a fact that on any given evening it is easy to hear a constant private litany of complaint from staunch Republicans – not the far right now led by Pat Buchanan – that there is a void in the White House.

This sounds extreme of a president who led his country and the world so well through the Gulf War. But the growing impression is that the resolution demonstrated in the Gulf was in fact an aberration; the norm is only one of reaction and expediency, and the charge sheet covers the full gamut of taxation, the budget deficit, the inner cities, civil rights, abortion, the environment, Yugoslavia, and now even poor Haiti.

Not even a recovering economy is yet working to his advantage, in spite of all the statistics that say it always does. This is partly because of the discrepancy between improving national figures and substantial local lags, especially in the west. It is partly a testament to the fact that this recession really did hurt and that recovery is still weak. Also, a three way race makes it harder for Mr Bush to pin all the blame on "tax and spend" Democrats, when he has Mr Perot as well as Mr Clinton round his neck pointing out that the budget deficit under the Reagan and Bush administrations increased eightfold.

The overall picture is of an unwillingness at present to give President Bush credit for anything, beyond the Gulf war. Even the nation's chief executives, three quarters of whom will vote for him, according to a Fortune magazine survey this week, profess little enthusiasm, but more a fear of the alternatives.

There has been a tendency of late to say that it is not the president's fault and that he is getting bad political advice. This explains the non-stop flurry of rumours – that James Baker will be brought back from the State Department to run the White House or the campaign, that vice president Dan Quayle will be dumped from the ticket in favour of General Colin Powell, that Mr Quayle might swap jobs either with Mr Baker or with Dick Cheney at the Pentagon. All are denied and none will probably happen, but their very currency bespeaks the perception of an incumbent president in trouble.

Of the campaign itself, the standard criticism is that too much time was devoted to squashing the gnat that was the Buchanan campaign and not enough to anticipating the threat of Mr Perot or the staying power of Mr Clinton or to divining the nation's mood of discontent.

Above all, the president himself seems unable these days to articulate either vision or policy with any consistency. Releasing Mr Quayle to lay into the "liberal" values of the media makes perfect political sense – but it requires the president to play a part too, preferably above the fray. This Mr Bush has failed to do, and has appeared confused and unpresidential in consequence. Where he does speak, "Bushisms," his now notorious mangling of the language, simply do not reduce to soundbites, and they are often even more incomprehensible in print.

So what happens next? Normally there is a lull between the end of the primaries and the party conventions, the Democrats' in New York in mid-July, the Republicans' in Houston a month later. This month will be consumed by speculation about when Mr Perot formally declares, who he runs with, and what is the meaning of whatever he says. There will be much delving into his history and his ideas, which may or may not hurt him.

There remains the possibility, very slight, of a movement to stop Mr Clinton getting the nomination. It might gain pace if he is seen to be slipping in the polls into a poor third place. It is mathematically possible for the 722 superdelegates to the convention, party bosses mostly, to get together and deny him a first ballot victory. But the stop Clinton forces have no leader and no apparent cause and he could stop both in their tracks by a shrewd choice of running mate (for which the popular choice remains Senator Bill Bradley of New Jersey).

What Mr Bush does, frankly, is anybody's guess. The best recourse for an incumbent is always to be seen to be presidential; but neither the Earth Summit in Rio, which he is attending reluctantly, nor the economic summit in Munich next month promise initiatives that will grab the public imagination. There is little on the Congressional agenda for him to make a distinctive mark beyond exercise of the veto and if the Supreme Court upholds Pennsylvania's restrictive abortion laws then his own pro-life stance will land him slap in the middle of a divisive debate with clear political risk attached.

It is, therefore, perhaps appropriate that exactly 500 years ago Columbus sailed into uncharted waters and discovered America. If he returned, he might think not much has changed since - no Republicans, no Democrats and a lot of restless natives.

Joe Rogaly

Only one way forward

Europe may test Mr John Major as it did Mrs Margaret Thatcher before him. It tested her to destruction. He has so far demonstrated that he is made of more supple material. Now, suddenly, he is seen to be potentially vulnerable, the leader of a divided party, a prime minister whose authority rests on a slender parliamentary majority, a head of government who is waiting for events to come to his rescue.

The awkward moment may pass. Mr Major's European fellow-politicians are doing their best to arrange a neat fix to circumvent Wednesday's negative vote by the obstinate Danes. They made a start in Oslo yesterday, when the assembled EC foreign ministers started to talk about an arrangement whereby the other 11 members go ahead on their own, in the hope that the Danish electorate will eventually reverse its vote. "Europe has always proceeded by a series of hiccups and this is one of them," said the UK foreign secretary, Mr Douglas Hurd. His would have been the voice of the soothing optimist during the Great Plague.

The prime minister could find himself choking on this particular hiccup. Any fix, however neat, is likely to involve some juridical sleight-of-hand, to get around the unanimity provisions of the Treaty of Rome. The result would rightly be regarded as a stitch-up, a dubious deal. That would further trouble Conservative backbenchers. It would certainly confirm the popular suspicion that EC matters are arranged in back rooms. Article A of the Maastricht Treaty refers to decisions being taken "as closely as possible to the citizen". This would be exposed as a sham.

There is only one honest way forward. Maastricht must be reviewed, in spite of the Danish government's abandonment of its request for a renegotiation. The revised treaty's terms should be put to a popular vote. This would be tricky. A new inter-governmental conference would be unpredictable. There would be strong pressure to increase the powers of the European Commission, at the expense of the Europe des patries structure so skilfully bargained for by Mr Major. That would blow the Tory party wide open.

Alternatively, the UK opposition parties could nearly unite it by assaulting the prime minister's entire European strategy. All they have to do is demand a referendum.

As it happens, the Labour party is ill-placed to do this. Mr Neil Kinnock is a lame-duck leader who has rejected a referendum. On July 18 he will be replaced by Mr John Smith, a dedicated pro-European and a man not easily persuaded to make grandstand plays. Yet the case in favour of a British consultation is stronger than it was before the Danish voters indicated by a slender majority that their opinion is different from the one urged upon them by their politicians and their media. In April it did not seem to matter that there was no popular debate about the Maastricht treaty during the British election campaign, since all parties supported it. Now there is to be a referendum in France. The Irish are going ahead with their ballot. Such pan-European polling evidence as exists shows no widespread popular enthusiasm for the treaty.

Maastricht must be reviewed, in spite of the Danes' abandonment of their request for a renegotiation

We who have argued that Maastricht represents a defeat for the proponents of a centralised government of a United States of Europe are mere politicians and commentators. Wider electorates, as the Danes have shown, may see matters differently. The treaty itself repeatedly refers to this or that new or extended power of the appointed commission; the weasel words which, largely at Britain's insistence, trim these back have to be sought for in the small print. A referendum would oblige the government to produce a clear exposition of what the various clauses mean, something not yet vouchsafed to MPs, let alone the country.

Those who dream of a single Europe, placed in counterpoise to the United States, fear a referendum. This is not democratic thinking, nor would an imposed solution constitute a sound foundation for a step towards a superstate. You can never be sure, but the chances are that the Irish and the French will vote yes, and that the British, given the chance, would follow suit. That would legitimise the European union in a way that can never be achieved by meetings of heads of government, however democratically elected they may be.

All this could come to dominate the second half of 1992, when Britain has the EC presidency. Mr Major has only had a couple of days in which to reflect upon this. So far he has stonewalled, with some success. His present strategy is to carry on with talks about enlargement of the EC, completion of the single market, bargaining over the Community budget and all the rest of it, in the hope that time will untie the Danish knot. Perhaps it will. But the prime minister knows that he cannot bank on it.

Richard Tomkins analyses the arguments over extending the London Underground to crisis-hit Canary Wharf

No jubilation at the end of the line

It is time to blow the whistle on London Underground's Jubilee Line. Plans to extend it to Docklands at a cost of £1.7bn have been rendered redundant by the financial collapse of Canary Wharf. To proceed with the project now could be the railway equivalent of building Concorde.

This is not an assertion that many outside the Treasury will wish to hear, but the facts argue in its favour. To set them in context, it is worth dwelling for a moment on the project's history.

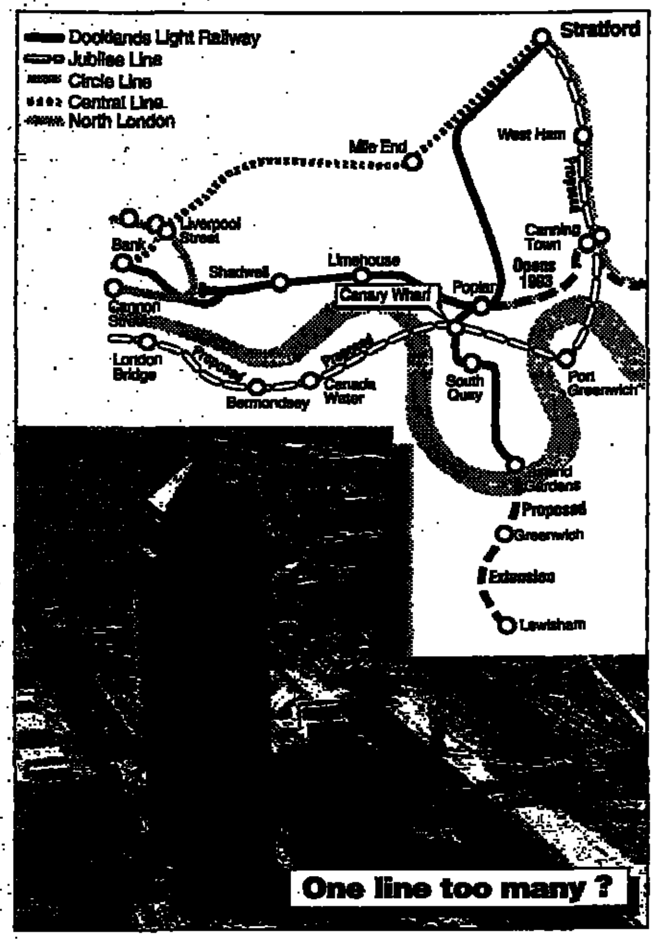
Extending the Underground to Docklands and the rest of London's eastern hinterland is not a new idea. The Jubilee Line had two previous incarnations in the 1970s: first, as the Fleet Line, running from the West End to the City before turning southwards through Wapping to Lewisham; and second, as the River Line, following the same course to the City but then serving the Isle of Dogs and Thamesmead.

The financial case for these projects, however, never stacked up, and after the oil price crises of the 1970s, the then Labour government was in no mood for extravagance. So while a vestige of those earlier plans survives in the form of a pair of empty tunnels running forlornly under the streets of London eastwards as far as Aldwych, the passenger-carrying part of the re-named Jubilee Line never stretched beyond its present terminus at Charing Cross.

When, in 1981, the Conservative government set up the London Docklands Development Corporation to oversee the regeneration of docklands, it had to look again at east London's transport needs. But an Underground line from the West End costing more than £1bn still looked an absurdly expensive proposition in the context of the modest regeneration then envisaged. Instead, the government opted for the construction of the Docklands Light Railway on a shoestring budget of just £77m.

The government reacted with astonishing speed and generosity to the Reichmanns' grandiose plans

That might have been the end of the story had it not been for the Reichmann brothers. But when they and their private property company, Olympia & York, arrived in 1987 with their grandiose scheme to turn the the Isle of Dogs into a business centre rivalling the West End and the City, the transport plans were thrown into chaos.



One line too many ?

Contrary to popular myth, the government was not tardy in its response. Rather, it reacted with astonishing speed and generosity. Within months, it was carrying out detailed work on the options for improving Docklands' transport infrastructure. The East London Rail Study was published in January 1989, and in November that same year a Bill to authorise construction of the Jubilee Line extension went before parliament. Some £3.5bn was committed to roads, the Underground line and the upgrading of the Docklands Light Railway.

Meanwhile, central London, crippled during the boom years of the late 1980s by appalling congestion and decaying infrastructure, was left to rot.

The biggest single factor underlying this investment in Docklands infrastructure was the prediction that the Canary Wharf development would boost the number of jobs in Docklands to 150,000 by the year 2005. (Canary Wharf alone, which today houses fewer than 4,000 people, was predicted to provide jobs for up to 55,000 on completion.)

But Canary Wharf's financial collapse and the death of the commercial property market have pushed those forecasts into the realms of fantasy. If they are ever achieved, it will not be until at least a decade later than expected.

It is too late, however, to delay much of the transport infrastructure. By this time next year, the bulk of the £1.65bn Docklands roadbuilding programme – the biggest road programme in Britain – will be complete, leaving the area with excellent access for buses, coaches, taxis and cars. Unlike the City or the West End, Docklands will also benefit from cheap and almost unlimited parking.

The Docklands Light Railway, meanwhile, will have been transformed from its present toy-town railway status to an urban mass transit system. Some £800m has been spent on extending the line to Bank in the City and Beckton in the east, and by next year the line's capacity will have risen from its 1987 level of 15,000 passengers a day to 15,000 passengers an hour.

Few transport planners would dispute that, with this infrastructure in place, the combined capacity of all transport modes to Docklands will be adequate well beyond the Jubilee Line's planned opening date of 1996. So does it not make sense to shelve the Jubilee Line extension until it is needed, and get on with more pressing projects?

The Jubilee Line extension's advocates answer that to do so would seal Docklands' doom. With the Jubilee Line in place, Canary Wharf could still fulfil its creators' dream of becoming a third London business centre. Without it, the development can never hope to be regarded as anything other than a second-rate out-of-town location for clerical and back-office functions.

The difficulty with this argument is that it contains an element of wishful thinking. There is little likelihood that that Canary Wharf would fulfil its creators' dream in the foreseeable future even if the Jubilee Line were in place, and the Treasury will rightly question whether such a large expenditure of taxpayers' money should be gambled on such an uncertain outcome.

Meanwhile there are many other transport projects in London to which investment could be usefully diverted – and which, in pure transport terms, deliver greater benefits per pound than the Jubilee Line. London Transport, though extremely reluctant to abandon the Jubilee Line after investing so much time and money in it, has started to draw up an emergency list of projects it could bring forward in its place.

Line extension advocates say that to shelve the work until it was needed would seal Docklands' doom

The long-overdue upgrading of the existing Underground system, the stepping up of the station modernisation programme, an acceleration of the planned Northern Line upgrade and the possibility of bringing forward the £1.7bn Paddington-Liverpool Street CrossRail project by a year are among the benefits that would accrue to Londoners in the next five years if only the Jubilee Line extension were postponed.

Even that would only soak up £600m to £700m. With the change from £1.7bn, the government would have enough to console everyone working at Canary Wharf with a free Rolls Royce, and still save the taxpayer money.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Not good advice

From E W Brown.

Sir, Michael Dixon's relaying of advice from a marketing consultant working from New York (Recruitment, June 3) that the way round the secretary barrier is to misplace the word "not" can only result in increasing isolation for top UK managers now that their secretaries will rigorously filter out all calls from "we've met before" claimants.

Perhaps the marketing consultant, who advises on the packaging of ideas and products, should champion a telephonic lie-detector, the US market for which, on this evidence, should be quite large.

E W Brown,
Niche Marketing,
3 Green Lane,
Maidenhead,
Berks SL6 1XZ

Troubleshooter clear and unequivocal

From Mr David Filkin.

Sir, The allegation that companies were "duped" into taking part in BBC 2's award-winning Troubleshooter series ("Toil and trouble", June 1) could not be further from the truth. All companies which took part knew exactly what the programmes were about.

Richard Reisz, executive producer of the series, wrote to your correspondent, Kate Button, stating that a detailed letter was sent to each company prior to filming to guard against any possible misunderstanding. The letter was clear and unequivocal and included the sentence: "I should like to confirm that the point of this series is for Sir John Harvey-Jones to discuss the problems and solutions openly and honestly. It may well be that some of his suggestions prove unwelcome. He could cover any area and he could criticise or suggest changes to methods, people and management."

David Filkin,
head BBC science & features,
BBC Television,
Television Centre,
Wood Lane,
London W12 7RJ

Maastricht: A 'Perot factor' strikes a chord in Europe

From Mr Peter Scott-Hansen.

Sir, Hurray for the Danes – Eurobusycrats beware! The Danish rejection of Maastricht is Europe's "Perot factor" come to life. And the Rio "Summit"? – chapter two. The American columnist George Will referred in a recent piece to the new fad of Eco-pessimism as the "socialist dream – ascetic lives, closely regulated by the vanguard of bossy visionaries – dressed up as compassion for the planet".

Why not let the successful forces of economic pragmatism continue as the magnet for European consolidation, and deny the self-serving "b-eurocrats" their grab at power and tax distortions. Too hasty a centralised social agenda without solid popular support can lead to Yugoslavia on a grand scale.

Peter Scott-Hansen,
100 First Stamford Pl,
Stamford CT, US

From Mr Christopher Lowe.

Sir, I observed with interest both the run-up to the Danish referendum and the reaction to the result, with the final vote being 50.7 per cent against ratification of Maastricht.

Notwithstanding the exit polls, which indicated a last-minute swing to a yes vote, the result did not come as a major surprise to me, as during the short period before the referendum the reaction to the Vote Yes campaign was either indifference at best and in some cases open hostility.

Scaremongering was used by both camps, with forecasts of large job losses predicted by Uffe Ellemann-Jensen, the foreign minister, if the vote was no, and an invasion of Danish summer houses by other nationals (in particular Germans) if the vote was yes. The details of Maastricht were on the whole left out of the arguments, and in the end the vote appears to have been made on the basis of gut reaction by the Danish people.

Last weekend at my local cinema, the advertisement for the yes vote was greeted with loud derision. It showed a young couple holding hands, the boy having the Union Jack on his backpack and the girl with the Danish flag. It may come as no surprise that the film was "Basic Instinct".

Christopher Lowe,
Godthebsvej 17,
DK-2000 Frederiksberg,
Copenhagen,
Denmark

Sir, There are a few of us who think your front page headline "Denmark says no to Maastricht" should read "Thank you Denmark"!

Dare we sceptics hope our politicians will now give us the opportunity of expressing our verdict by a referendum?

J G Bye,
39 Mountsorrel Lane,
Rothley, Leics LE7 7PS

Possibly a coincidence

From Prof Gerald Mars.

Sir, Could the present talk about a government bail out of Lloyd's Names have anything to do with the fact that bankrupts cannot serve as MPs? At least 30 Tory MPs are likely to become bankrupt and, as far as I recall, the government's majority is only 21.

Gerald Mars,
53 Nassington Road,
London NW3 2TY

BBC is good value at twice the price

From Mr Vincent Sinclair.

Sir, Like most of the public services dear to our hearts, the BBC is hopelessly underfunded, as illustrated by Christopher Dunkley ("Spitting contest for grown men", May 27). Compared with the potential cost of viewing football on satellite, the licence fee is peanuts. We should be thankful for the standard the BBC maintains on our behalf for such a meagre annual contribution. What are the government's intentions in constantly undermining the BBC's capacity to produce? I doubt if they reflect the views of the population. The BBC is a bargain but the corporation as we know it is under progressive threat. It should be left alone. Double the licence fee and it would still be good value.

Vincent Sinclair,
Worth Corner,
Crawley, West Sussex

Equity share a pragmatic solution for borrowers

From Simon Randall.

Sir, Your leader, "The next step in housing" (June 2), implies that the improvement in repossession trends in the first few months of the year owes much to the direct payments of mortgage interest for income recipients and the counselling and renegotiation for borrowers in arrears.

While one cannot under-estimate the importance of financial advice to home owners experiencing mortgage difficulties, in real terms the option of renegotiating a mortgage in such a way that it would have a discernible effect on reducing monthly payments is limited.

Any notion that borrowers are "reluctant to rejoin the tenantry" is completely unfounded. An increasingly significant number of borrowers in arrears see equity-share as the only pragmatic solution which allows them to retain their home without undue financial hardship.

Quite apart from this, lending institutions would be short-sighted to dismiss equity share as economically unfavourable for they are well aware that a glut of devalued properties does little to inspire confidence in an already unstable house market.

Simon Randall,
chairman,
housing and social affairs committee,
London Boroughs Association,
College House,
Great Peter Street,
London SW1P 3LN

OBSERVER

What makes a governor

■ Where will the British government's new policy of open-ness end? To judge by the spate of advertisements for such politically sensitive posts as chairman of the Monopolies and Mergers Commission and Director of Public Prosecutions, Prime Minister Major's team seems determined to give everyone a shot at the top jobs.

Or is it?

Even Observer has to admit that the line between cosy appointments and open competition has to be drawn somewhere. Advertising in the press for a new boss of MI5 or MI6 might attract the wrong sort of candidate. But surely a case could be made for advertising senior posts in the civil service or the governorship of the Bank of England?

Given that Robin Leigh-Pemberton will step down as Governor next year and should collect the traditional peerage, there should be lots of interest in his job. However, the authorities seem shy, to say the least, about whether they intend to advertise for his successor in the press.

Part of the problem is that any job-description for the governorship would almost certainly infringe either the Trade Descriptions or the Sex Discrimination Act, if not both, and could hardly fail to upset the Equal Opportunities Commission.

For a start, the candidate would have to be good at nods and winks and be generously endowed with that mysterious City quality, "bottom". An ability to be either totally subservient to the Treasury or completely independent, on demand, would be useful.

A further must could well be demonstrable ability to terrify financial markets with the spectre of another Labour government.

On the rocks

■ Poor British tourists! They had precious little hope of beating the Germans to the softest and sunniest basking spots before. But now the Thomas Cook holiday group has gone to them as well, the Brits might as well throw in the beach towel altogether.

Enigma

■ Advertising agency Saatchi and Saatchi is never averse to a bit of publicity, even though it has recently been in the news almost as much for the financial crises of its parent group as for its advertising achievements.

But can the British Conservative Party's favourite ad agency really be considering taking on the campaign of the enigmatic H. Ross Perot, the as-yet undeclared candidate for the US presidency? There are strong and growing rumours that Saatchi and Saatchi has been approached by the gung-ho Perot.

The selectively press-shy Maurice Saatchi restricted himself to a brief "no comment" – which isn't necessarily the same as "not true".

Swiss courage

■ Switzerland's reputation for security and stability has taken knocks lately. But Zurich Insurance, one of the biggest of its kind in Europe, wants to leave no doubt about its continuing strength.

Asked how it would shape up to the most damaging sequence of disasters

"You may not be able to help me – I'm a Danish Euro-MP"

imaginable, chief executive Rolf Hüppi was pat with the answer. The worst he could think of, he replied, was the California coast sliding into the ocean followed by a massive earthquake in Tokyo, a hurricane sweeping up the US eastern seaboard, and torrential storms swamping western Europe.

"Then we would flinch," he said...but hastily added: "I don't think it would kill us."

Counterblast

■ The Silent Service found its tongue with a vengeance yesterday, waxing indignant about accounts of how its submarine HMS Opportune got dented in a fog-shrouded collision with a Panamanian-flagged merchant vessel.

Opportune did nothing inopportune, the Royal Navy roared. She was barely moving when struck by the merchantman Radnes, whose captain and crew are being questioned by a department of transport inspector.

According to the RN, the submarine was sailing cautiously on the surface when its radar showed the other ship approaching through the fog at about 15 knots. Opportune took evasive action and was virtually stationary with engines full astern at the moment of collision.

"An exchange of views took place by radio," a spokesman added.

Old pals

■ What does John Butterfill, who has just missed becoming chairman of the Tory European European Affairs committee, have in common with new Treasury minister Anthony Nelson and Jonathan Aitken, now a junior minister at defence?

It seems the 51-year-old Butterfill, too, was a protégé of erstwhile tycoon Jim Slater, whose Slater Walker empire collapsed in the 1970s. A chartered surveyor, Butterfill used to be managing director of St Paul's Securities, one of Slater Walker's many property vehicles.

Although former Welsh secretary Peter Walker and Sir Peter Morrison, Mrs Thatcher's parliamentary private secretary, are no longer MPs, 63-year-old Slater still must have more old pals in Parliament than many businessmen of his generation. A bottle of malt for the most comprehensive list of MPs who got their business training in the Slater Walker empire.

Forked tongue

■ The warning "Beware of Greeks bearing gifts" has been given an equivalent for England by the latest ABC Guide to International Travel. Beware of English saying "With the greatest respect...", it cautions. What they mean is: "I am about to humiliate you publicly."

FINANCIAL TIMES
Friday June 5 1992

G7 states reject 'Green Fund' proposed by developing nations

By David Lascelles and Christina Lamb in Rio de Janeiro

THE LEADING industrial countries closed ranks at the Earth Summit in Rio de Janeiro yesterday in the face of developing countries' demands for more aid to clean up the environment.

Environment ministers from the Group of Seven countries affirmed that any extra money they provided would have to be channelled through the World Bank's existing global environment facility, and not through a new multi-billion dollar Green Fund, which developing countries favour.

Mr David Maclean, the UK environment minister, said the G7 had made "a strong commitment" to the global environment facility, though there was no discussion at the meeting of how much money the donor nations would give or whether they would even make the commitment in Rio.

The tough G7 stance followed a meeting late on Wednesday called by Mr Klaus Toepfer, the environment minister of Germany, which is currently chairing the G7.

In contrast the Group of 77 developing countries are demanding both the creation of a Green Fund outside the control of the World Bank, and changes to the way the global environment facility is managed.

Ministers from the G77 held their first formal meeting at the Earth Summit last night to agree a common position, which was expected to include a tough stance on seeking commitments from the industrialised world on technology transfer and finance.

Mr Anwar Saifullah Khan, Pakistan's environment minister, which is currently chairing the G77, said before last night's meeting: "I would consider the conference a failure if it did not result in these commitments because it would indicate that the developed world is not serious."

Mr Khan stressed that aside from financial commitments, the need to reduce trade protectionism was also likely to be a main theme in the G77 discussions. "Pakistan would not need any aid if we were allowed to trade freely and sell our yarns and textiles to the developed world," he said.

Finance is fast becoming the main conference issue. A conference committee on finance has been created, chaired by Mr Rubens Ricupero, Brazil's ambassador to the US, and discussions were initiated yesterday afternoon on the institutional framework and the quantities of money required to implement summit decisions.

The G7 countries also agreed yesterday to concentrate their joint efforts in Rio on an agreement to protect forests. This seemed to be a concession to the US, which has made it clear that it has strong reservations about many other issues on the summit agenda and sees little point in pursuing the debate.

Earth Summit details, Page 6

Lloyd's Names to be asked for extra £20,000

By Richard Lapper in London

EVERY MEMBER of Lloyd's of London will have to pay on average £20,000 to bolster the troubled insurance market's central fund. Lloyd's, which is facing record losses, will double the size of the fund to £1bn by means of the compulsory charge.

The fund can be used to pay any claims falling on Lloyd's when Names – the individuals who provide the insurance market's capital – are unable to meet their obligations.

A few thousand Lloyd's Names will bear the brunt of the market's record losses for 1989, which will be reported later this month. Earlier this week, they were forecast to top £2bn. Many Names have insufficient assets to pay claims and face bankruptcy.

Mr Alan Lord, Lloyd's chief executive, said that Lloyd's had "solid legal opinion" that it was authorised to take the action which would provide a "substantial margin of solvency".

The increase is to be financed by a one-time levy on all Names who have participated in the market in the 1990, 1991 and 1992 underwriting years.

The levy will amount to 1.66 per cent of stamp (the amount of premiums Names are allowed to accept under Lloyd's rules) per year. In 1990 the annual levy already paid by Names was increased from 0.35 per cent to 0.6 per cent.

On average, Names face a bill exceeding £20,000, although this will not generally be charged until 1993, 1994 and 1995, when, in line with the market's three-year accounting system, agents settle Names' individual accounts for the affected years.

In the first instance, the money is to be drawn from the Names' premium trust funds into which premium income earned by syndicates is channelled. The first payments will be made in mid-July.

Mr David Coleridge, chairman, described the levy as a "prudent response to especially difficult trading circumstances. The Council's action will give a strong and reassuring signal to policy-holders".

Mr Lord said the Lloyd's Council, the market's governing body which approved the special levy on Wednesday, was still discussing a separate bail-out plan to help many of the hardest hit Names.

Mr Val Powell, chief executive of the Association of Lloyd's Members, which represents over 9,000 Names, said the levy was "uncomfortable but inevitable".

Mr John Rew of Chatset, the company which earlier this week forecast that Lloyd's faced a dramatic reduction in its capital base in the next three years said that the levy would "cascade" losses currently faced by a minority of Names across the market as a whole.

Reinsurer's action, Page 8

Calling the tune: Bill Clinton, the leading contender for the Democrat nomination in the US presidential election, plays the saxophone during the musical opening of a television chat show in America. The show's host, Arsenio Hall (left) said: "It's good to see a Democrat blowing something other than the election." Bets are off in a three-horse race, Page 14

THE LEX COLUMN

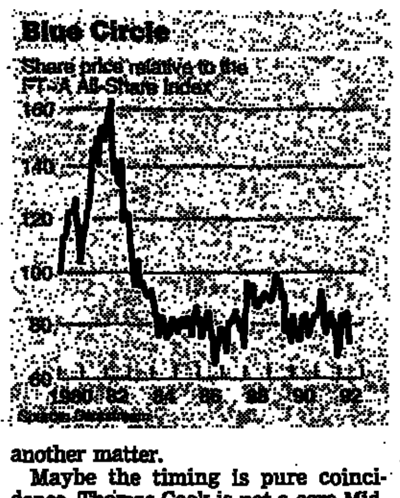
Blue Circle gets lucky

Blue Circle Industries' £240m rights issue yesterday underlines London's appetite for paper if the story is right. The company, after all, long ago showed its ambition to buy into home products in continental Europe. It has now clinched a deal which will improve its earnings for at least the next 12 to 18 months. And though the begging bowl is out for £36m more than its immediate needs, the extra money has been carefully marked down for further expansion.

This said, it was charitable of the market to mark BCI's shares up 3p at 247p. For one thing, investors cannot be absolutely sure that the Celsius acquisition is all it is cracked up to be. An historic exit multiple of 12 seems attractive, to be sure, but there is room for caution about the consistency of profitability of the French boiler and radiators business in earlier years. More pertinently, perhaps, BCI has to prove that it can make a decent return from the £700m of shareholders' money which has now been invested in home products. Recent margin improvements suggest that Potterton and Myson are starting to perform. But Blue Circle's record in this area is littered with goodwill write-offs and reorganisation costs, which is largely why net assets per share have slipped 18 per cent over the last six years.

On more optimistic forecasts for next year the forward multiple of around 14 may not seem demanding. A 6 per cent yield also provides useful support. On the other hand, while doubts remain about the quality of some of Blue Circle's assets – and management's ability to generate satisfactory returns – it is not quite clear that the shares deserve their current rating.

FT-SE Index: 2681.9 (+1.0)



Midland

There is something slightly odd about the timing of Midland's announcement of the sale of Thomas Cook. The deal improves the value of the bank to a bidder, especially since £200m represents a full price for the business. That being so, one might have expected Midland to reveal the sale before HSBC made its final offer this week. But then, the Hongkong Bank directors on Midland's board presumably knew the terms of the deal in advance. The disclosure will give HSBC further grounds for justifying its increased bid to its own shareholders at their forthcoming extraordinary meeting. Whether it will make Midland investors keener on HSBC is another matter.

Maybe the timing is pure coincidence. Thomas Cook is not a core Midland business. It might have been sold earlier but for the Gulf war. Now that its profits are recovering, Midland has received an offer it cannot refuse.

But the sale is a reminder that Midland does retain the option of independence. It adds £128m to distributable reserves, making affordable an increase in the dividend to its pre-recession level of 18p. That adds powerfully to the argument for investors sitting tight until the competition authorities have ruled on the Lloyds proposal. If yesterday's 2 per cent rise in Midland shares really was in anticipation of a higher indicated price from Lloyds today, the market must either believe that it will be allowed to bid or that Hongkong Bank will then come back with an even better offer.

Boots

Yesterday's 5 per cent drop in the Boots share price in response to a 9 per cent rise in full year earnings seems a little perverse. Gruesome though it is to see the non-chemist retail business lose £5m on £625m of turnover, it is scarcely unexpected. It may also be disconcerting to hear that spending on the heart drug Manoplax – Mañanaplax as market wags call it – will rise this year from £18m to nearer £50m. But such expenditure was always inevitable as the drug neared approval.

Granted, the figures recall a fundamental question: what on earth a hugely successful chemist and druggist is doing losing money in DIY, toys and car maintenance. The basic premise – that Boots' traditional retailing skills could be applied outside its traditional markets – is plainly open to question. The losses at Halfords, for instance, are due not only to the recession but to basic flaws belatedly addressed. But if the non-chemist retail brands prove intractable, they could doubtless be sold off when retail spending eventually revives. In the meantime, it plainly helps that they generated net cash last year despite their losses.

More generally, it is perhaps time to let the Ward White acquisition slip into history. In the three years since the bid was launched, Boots' shares have outperformed the market by 50 per cent and the stores sector by a third. That same performance may make it hard to see the shares as cheap. But plainly, the company has proved robust enough to survive its mistakes.

Anglian Water

Judging by yesterday's 10.3 per cent dividend increase, Anglian Water has grown tired of its reputation for caution. The payout raises the question of what water companies should do with unforeseen profits. Anglian's dividend reflects inflation and a real increase agreed with the regulator at the time of privatisation. In addition, it contains an unexpected element of reward to shareholders for efficiency gains, the remaining benefits of which will be passed on to customers as a voluntary 0.5 per cent reduction in Anglian's permitted price increases.

Admittedly, customers probably get a greater share of the spoils, and Anglian has been refreshingly open as to how it did its sums. The problem is that other water companies might dispute its reasoning, not least the use of a rather high 4.7 per cent average annual inflation rate, against the more widely used 4 per cent inflation figure for March. Adjust for that, and shareholders have done rather better than it appears. In marking its shares to a new high, the market was not slow to appreciate Anglian's generosity.

More generally, it is perhaps worth asking why water companies should do anything at all to boost dividends at a time when they are already able to pay real increases far ahead of the market average. Arguably, it would be better to reinvest extra cash in the hope that it will be earning a distributable return when conditions are rather less favourable. Water is, after all, a long-term business.

US action is latest attempt to unravel Maxwell web

By Alan Friedman in New York and Bronwen Maddox, Raymond Snoddy and Jimmy Burns in London

UK administrators of the collapsed Maxwell empire are pursuing a legal action in New York to try to obtain information on millions of dollars of assets they believe were transferred to Liechtenstein-controlled companies from Headington Investments and other Maxwell companies.

The US legal filing was made by Arthur Andersen, which serves as joint administrator of the private side of the Maxwell businesses. It represents a stepping up of efforts to unravel the web of Maxwell companies and Liechtenstein entities involved in the Maxwell affair.

The action, which began with a filing in March and has only now come to public attention, is a US extension of action already taken in the UK. It also demands that Mr Sheldon Aboff, the former chief US aide to the late Mr Robert Maxwell, be ordered to appear in court to answer questions.

Mr Aboff's appearance, which was bitterly contested by his lawyers during hearings late last month, was requested as part of the administrators' search for Maxwell company funds they believe were transferred to companies controlled by the Liechtenstein-based Maxwell Foundation.

The administrators believe the fund transfers occurred both before and after Mr Maxwell's death last November.

The news of the action came as Maxwell pensioners in the UK intensified their campaign to persuade MPs to change the law to limit the losses faced by thousands of pensioners. Although not named in court, two companies – Pergamon Holdings (US) Inc, a US company controlled by Swico Anstalt, a Liechtenstein company that is part of the Maxwell Foundation, and Sphere Inc, a California computer games business also controlled from Liechtenstein – are the focus of the legal action.

The original petition - filed on March 10 under a little known section of US bankruptcy law that allows a non-US representative to seek US court assistance - was made in the US bankruptcy court of the Southern District of New York.

The same legal manoeuvre, known as a Section 304 petition, was used last year in attempts to recover assets of the collapsed Bank of Credit and Commerce International (BCCI).

Hanson and Bechtel hold talks on joint approach to Canary Wharf

By Roland Rudd in London and Alan Friedman in New York

HANSON, the Anglo-US conglomerate, and Bechtel, one of the world's top two engineering and construction companies, are discussing the possibility of combining forces over their approach to Canary Wharf, the insolvent office project in London's Docklands.

Lord White, chairman of Hanson Industries in the US and Lord Hanson's partner, yesterday said: "There is a possibility that we might establish a joint venture in our approach to Canary Wharf."

Hanson is considering making a bid for the project, which was put into administration last week by Olympia & York, the Canadian-based property developer.

In San Francisco, a spokesman for Bechtel said a representative of the US group's property development and investment division had "a preliminary conversation with the Hanson group" about Canary Wharf a few days ago.

Bechtel said the discussion concerned how Bechtel Park Towers Ltd (BPTL), the property and investment division, "might assist Hanson as it considers the Canary Wharf project".

The services BPTL might provide Hanson would include development and property management services.

Hanson is also talking to Bechtel about the possibility of redeveloping Hanson's Kaiser cement works on the Permanente Site, near San Jose in the San Francisco Bay area.

While the talks are still at a very early stage, Lord White said Hanson may establish a big property arm if the talks prove conclusive. "There are a number of interesting property bargains around which we may be interested in," he said.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	C	15	59	Frankfurt	C	17	63	Majorca	S	24	75	Oporto	F	17	63	Tenerife	C	21	70
				Brussels	F	15	59	Geneva	F	19	66	Malaga	S	24	75	Oslo	S	25	77	Tokyo	S	26	79
				Budapest	R	17	63	Gibraltar	S	22	72	Malta	S	24	75	Paris	S	19	66	Toronto †	S	17	63
Ajaccio	R	17	63	Buenos Aires	F	13	55	Glasgow	C	14	57	Manila	C	34	93	Prague	C	17	63	Tunis	F	26	79
Algiers	S	24	75	Cairo	S	35	95	Helsinki	S	20	68	Melbourne	F	15	59	Reykjavik	C	7	45	Valencia	F	23	73
Amsterdam	R	13	55	Cape Town	S	15	59	Hong Kong	F	30	86	Mexico City	C	22	72	Rhodes	S	25	77	Venice	S	23	73
Athens	S	28	82	Caracas	C	29	84	Innsbruck	F	21	70	Miami †	F	25	77	Rio d'Janeiro		–	–	Vienna	F	20	68
Bahrain	S	41	106	Casablanca †	F	20	68	Inverness	F	14	57	Milan	C	23	73	Rome	F	18	64	Warsaw	F	25	77
Bangkok	C	37	99	Chicago †	R	18	64	Islamabad	F	37	99	Montreal †	F	17	63	Salzburg	F	21	70	Washington †	F	17	63
Barcelona	T	21	70	Cologne	C	13	55	Istanbul	S	24	75	Moscow	S	16	61	S'Francisco †	S	12	54	Zurich	F	19	66
Beijing	S	32	90	Copenhagen	S	25	77	Jakarta	C	32	90	Munich	C	20	68	Seoul	R	19	66				
Beirut	C	24	75	Corfu	S	28	82	Johannesburg	S	23	73	Nairobi	F	26	79	Singapore	F	29	84				
Belfast	C	14	57	Dallas †	S	17	63	Lisbon	C	19	66	Naples	F	25	77	Stockholm	S	23	73				
Belgrade	T	26	79	Dublin	C	13	55	London	R	15	59	Nassau	C	31	87	Strasbourg	F	20	68				
Berlin	S	29	84	Dubrovnik		–	–	Los Angeles †	C	17	63	New Delhi	S	40	104	Sydney	S	15	59				
Biarritz	R	12	54	Edinburgh	C	13	55	Luxembourg	F	16	61	New York †	S	21	70	Taipei	F	31	88				
Bombay	S	34	93	Faro	F	23	73	Madeira	F	20	68	Nice	R	18	64	Tangier	F	19	66				
Bordeaux	R	16	61	Florence	R	20	68	Madrid	F	17	63	Nicosia	S	26	79	Tel Aviv	S	26	79				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

COMPANIES & MARKETS

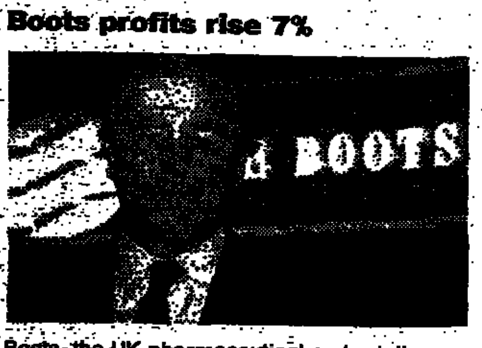
 Friday June 5 1992

INSIDE

New IBM offshoots compete with clones

IBM has set up wholly-owned subsidiaries in the UK and Canada to sell low-cost personal computers that will compete directly with cheap clones. The new UK company, Individual Computer Products International, will market a range of PCs under the Ambra brand name to target the low end of the European market. Page 19

Boots profits rise 7%



Boots, the UK pharmaceutical and retail group, yesterday announced a 7.1 per cent rise in pre-tax profits for the year to March 31. Profits, excluding property sales, were £359.5m ($653m). Group sales were 2.5 per cent higher at £3.66bn. Sir James Blyth (above), chief executive, said that bringing Manoplax, its new heart drug, to the market would depress profits in the pharmaceutical division in the short term. Page 22

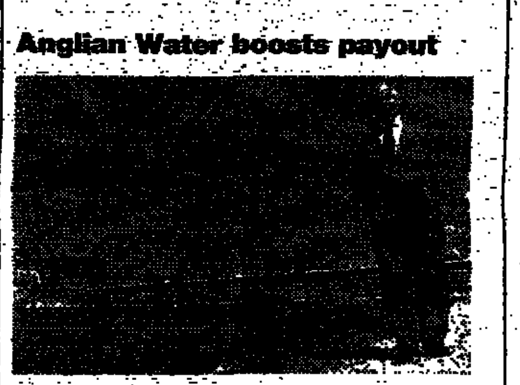
Swiss junk bonds collapse

The formal insolvency of the UK property group Mountleigh has confirmed the collapse of the "junk bond" market in Swiss francs, once one of the most active debt markets for high-risk companies. Page 20

Hurrah for the hoki!

The humble hoki, a deep sea white-fleshed fish, played a key role in the New Zealand fish industry last year. A sharp rise in its value made it the industry's top earner. A fall in the exchange rate and a rise in export prices coincided with a period of white fish shortages in world markets, increasing prices. Page 34

Anglian Water boosts payout



Anglian Water, one of the most cautious of UK water companies, yesterday adopted a more aggressive dividend policy with a proposed 10 per cent increase in dividends for last year. Mr Bernard Henderson (above), chairman, said the rise was a reward for shareholders and followed improvements in customer service. Page 23

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				Rises			
Commerzbank	267	+	8.5	Chargeurs	1274	+	29
Berliner Bank	279	+	9	Dollfus	379.5	+	18.1
Porsche	560	+	51	Nord Est	127	+	9
Falls				Radiotech	615	+	25
Colonia Konz	930	-	30	Falls			
Lufthansa	421	-	8	Credit Nat	990	-	20
Springer	593	-	19	Fonc. Lyonn	639	-	31

NEW YORK ($)				TOKYO (Yen)			
Rises				Rises			
Chrysler	21	+	1⅛	Higo Bank	840	+	40
Ford	43⅞	+	2⅛	Hokko Fishing	397	+	37
Gen Motors	43⅝	+	1⅞	Nikkan Chemi	628	+	40
Falls				Falls			
Alexs	14	-	1½	Meiji Machine	301	-	34
Coca Cola	43⅞	-	[illegible]	Nippon Koshi	405	-	34
ITT	63⅞	-	1⅜	Yamaha	921	-	85

New York prices at 12.30pm.

LONDON (Pence)							
Rises				Rowlinson	175	+	15
Amber Indl	355	+	30	600 Group	53	+	9
Astrotech	660	+	45	Sythoma	290	+	10
BET	164	+	8	Telemetrix	59	+	2½
BPB	189	+	8	Falls			
Clayton, Son	138	+	13	Boots	467	-	23
Coats Viyella	388	+	13	Kingfisher	535	-	10
Enterprise Comp	38	+	3½	Lucas Inds	137	-	6
Expamet	57½	+	7½	MEPC	315	-	15
[illegible]	232	+	8	Prowting	462	-	36
IMP Intl	238	+	20	Rendamex	35	-	3
Laporte	197	+	11	Richmond Oil	8	-	3
Midland Bank	467	+	10				
Mowlem	148	+	17				

Preliminary finding by commission raises fears of duopoly in French water market

Nestlé says EC to probe Perrier bid

By William Dawkins in Paris

NESTLE, the Swiss food multinational, yesterday revealed that European Commission anti-cartel investigators are challenging its FFr15.46bn ($2.82bn) bid for Perrier, the French mineral water group.

A preliminary finding by a commission task force "raised serious doubts," on the grounds that it thought the bid created a duopoly of Nestlé and BSN, the French food group, on the French mineral water market, said Mr François-Xavier Perroud, spokesman for the Swiss group.

"We have a good case and remain optimistic," said Mr Perroud, who said Nestlé would contest the task force on every point. Nestlé had already pledged to sell Volvic, one of Perrier's brands, to BSN, to avoid monopoly problems and to obtain the French group's support in the battle for Perrier against Italy's Agnelli family.

Nestlé's bid was suspended in late March when the commission opened a formal inquiry – which it only does if it already has doubts – which will last to the end of July. If the task force finds against Nestlé, a full meeting of the 17 commissioners will veto the deal or demand changes.

Brussels has the right to ask Nestlé to sell other mineral water brands to reduce its market share. The Perrier purchase also includes the Contrexéville and Vichy brands.

Nestlé believes the bid will raise its share of French mineral water sales from 15.6 per cent to 36.8 per cent and BSN's market share from 20.2 per cent to 30.9 per cent. The rest is held by France's powerful supermarket chains, with an unchanged 32.3 per cent, according to a study for the group by Canadean, the UK drinks industry consultancy. The task force finding ignores the supermarkets' competitive power, said Mr Perroud.

Earlier, Mr Serge Milhaud, head of Nestlé's mineral water division, told a French newspaper the task force had failed to take into account the overall European Community market, of which Nestlé plus Perrier had a mere 14.3 per cent share. The news sent both companies' share prices down 0.9 per cent to FFr36,100 for Nestlé and FFr1,091 for BSN.

Apart from the deal on Volvic, there was no other link in France between Nestlé and BSN, which remained fierce competitors there, said Mr Perroud.

KLM pays dividend as it returns to profit

By Ronald van de Krol in Amsterdam

KLM Royal Dutch Airlines swung back into profit in 1991-92 after record losses in the previous 12 months, prompting the airline to resume dividend payments.

A cost-cutting programme and a higher proportion of first-class and business-class travellers helped KLM post a net profit of Fl 125m ($69m) in the year to March 31 1992. In the previous year, KLM saw net losses of Fl 630m, nearly half due to restructuring charges.

The airline, which is 38 per cent state-owned, is to pay a dividend of Fl 1 per share. It last paid a dividend two years ago, when shareholders received Fl 1.80.

"Though 1991 was a bad year for the international airline industry, KLM achieved 7 per cent traffic growth in 1991-92," the company said.

Other factors behind the improvement were a 9 per cent increase in productivity and a 7 per cent decline in the fuel bill, as well as the pruning of unprofitable services and a trend towards more long-haul flights.

The Dutch airline made no mention of the collapse of merger talks with British Airways in February but KLM has said it remains interested in pursuing global partnerships.

The results, which were in line with analysts' forecasts, include book profits of Fl 61m on the disposal of aircraft and extraordinary gains of Fl 48m, reflecting the sale of a 49 per cent stake in its helicopter subsidiary and several other transactions.

Operating profits totalled Fl 416m, reversing the previous year's losses of Fl 285m. However, financing charges rose more than 50 per cent to Fl 253m, while holdings in non-Dutch airlines – Northwest of the US, Air Littoral of France and Air UK – continued to generate substantial losses of Fl 145m, little changed from the year before.

Total turnover rose 21 per cent to Fl 7.91bn. Excluding the charter airline Transavia and Air Littoral, both of which were consolidated for the first time, traffic revenue was up 18 per cent. This reflected both the 7 per cent rise in traffic as well as a 10 per cent increase in yields generated mainly by higher-fare passengers in KLM's planes. Costs – up 10 per cent at Fl 7.49bn – rose less than half as fast as turnover.

Standard Chartered accepts $62m MiniScribe payment

By Andrew Jack

STANDARD CHARTERED Bank yesterday agreed to a $62m out-of-court payment in the US from Coopers & Lybrand, the accountancy firm, and other defendants following the collapse of MiniScribe, a computer disk-drive manufacturer.

Total settlements arising out of MiniScribe are now believed to be the largest ever against an auditor after Coopers last month made a separate out-of-court payment. This class action suit, brought by bondholders in MiniScribe in Texas, initially resulted in punitive damages of $550m, including more than $200m against Coopers. However, that decision was overturned by the judge, but Coopers is believed to have paid between $40m and $50m in an out-of-court agreement.

Standard Chartered lent $120m to MiniScribe in 1988. The company later filed for bankruptcy protection, and the bank alleged fraud and negligence on the part of the defendants since 1986.

The bank, which brought legal actions in Colorado, said yesterday it would recover its initial loan as a result of the settlement and realisations of assets made from MiniScribe.

Undisclosed portions of the settlement will come from Hambrecht & Quist, investment bankers, Mr Q.T. Wiles, chairman of MiniScribe, and Ellco, a leasing company.

Mr Martin Hayman, head of legal services at Standard Chartered, said: "The result was the right result. We are not happy but are satisfied it is the best for our shareholders."

Coopers will be expected to provide payment from its US partnership. If funds are insufficient, its partners are personally liable for the difference.

Mr Harris Amhowitz, deputy chairman and general counsel for Coopers & Lybrand in New York, denied any culpability in the firm's audit of MiniScribe.

"Nevertheless, the firm agreed to settle to avoid the uncertainties of successive jury trials."

The $62m settlement is subject to US court approval, but Standard Chartered said it expected that to be a formality.

A $338m settlement for Standard Chartered against Price Waterhouse was awarded by an Arizona jury last month, relating to the bank's purchase of United Bank of Arizona in 1987 for $334m. Price Waterhouse is still considering its response.

Peggy Hollinger and **Christopher Parkes** on why a German venture has bought Thomas Cook

A ticket on the road to European growth

THOMAS COOK was a man of firm convictions who knew an opportunity when he saw one.

A firm teetotaller – he began his business in 1841 by running temperance tours around the UK – he had no difficulty in turning a blind eye to clients under the influence of drink, believing their loutish behaviour would convert other passengers to more sober habits.

Such pragmatism would surely lead him to acknowledge the logic behind the sale of Thomas Cook Group to LTU, Germany's largest charter airline carrier and the third biggest package tour group.

Cook: teetotal tourist

It has been no secret that Thomas Cook has not fulfilled its potential under the 20-year stewardship of Midland Bank. Saddled with more pressing problems during the past decade – such as the disaster following the purchase of Crocker Bank in the US and Third World debt – Midland has had little time or money to devote to expanding the UK's best-known travel agent.

That friendly neglect is about to change and industry analysts suggest that, lodged in a happier home, Thomas Cook is set for expansion in Europe, where profit margins are substantially higher than in the UK. Cook's, even with its 1,600 outlets in 120 countries, has "barely scratched the surface" of the growing travel market in continental Europe, said one analyst.

Mr Peter Middleton, the man brought in by Midland in 1987 to revive the company, agrees. "The management has a very clear idea of where it wants to go," he says. Happily, his plans will now be possible, since LTU is seeking to develop its business out of Germany.

Further suggestions are that Thomas Cook could return to the ranks of tour operators. Cook's refuses to confirm such speculation "but we cannot rule something like that out if you look at our ownership," said a company spokesman.

The deal could also open the way to Thomas Cook regaining its US businesses which, under a law forbidding banks to own travel agents, it was forced to sell when Midland bought Crocker in 1980. Thomas Cook in the US is a completely separate company, however, and no approaches have been made. Indeed, Mr David Paresky, chairman of Thomas Cook Travel US, was anxious yesterday to stress that the agreement in no way affected his company.

For LTU, the deal is an important move in its strategy to develop a full-range, internationally based travel organisation.

The 47 Thomas Cook outlets in Germany will add another five percentage points to its existing 16 per cent share of tour operation. Its UK base will give LTU 11 per cent of the £10bn ($18bn) leisure market and 14 per cent of the £3bn business travel market.

Thomas Cook's international network of foreign exchange bureaux and the travellers' cheques business will also bring a new dimension to LTU's offering and sit nicely with Westdeutsche Landesbank. Germany's third-largest bank will hold 10 per cent of Thomas Cook after the deal is completed.

LTU, a private Dusseldorf-based company, is run by former carnival prince Mr Hans-Joachim Driessen. With 28 aircraft, 18 less than four years old, the group runs Germany's second-biggest airline after the state carrier Lufthansa. Half its passengers come from the group, 25 per cent from other travel agents and the rest from flight-only bookings. Its catering subsidiary serves 12,000 meals a day.

LTU's existing travel agencies, including Jahn, Tjaereborg and Meiers, span all market sectors. So-called "incoming agencies" in the US, Caribbean and Asia complete the chain. The company's cruisers carry customers to see the Egyptian pyramids and its collection of resort hotels stretching from Sri Lanka to the Dominican Republic.

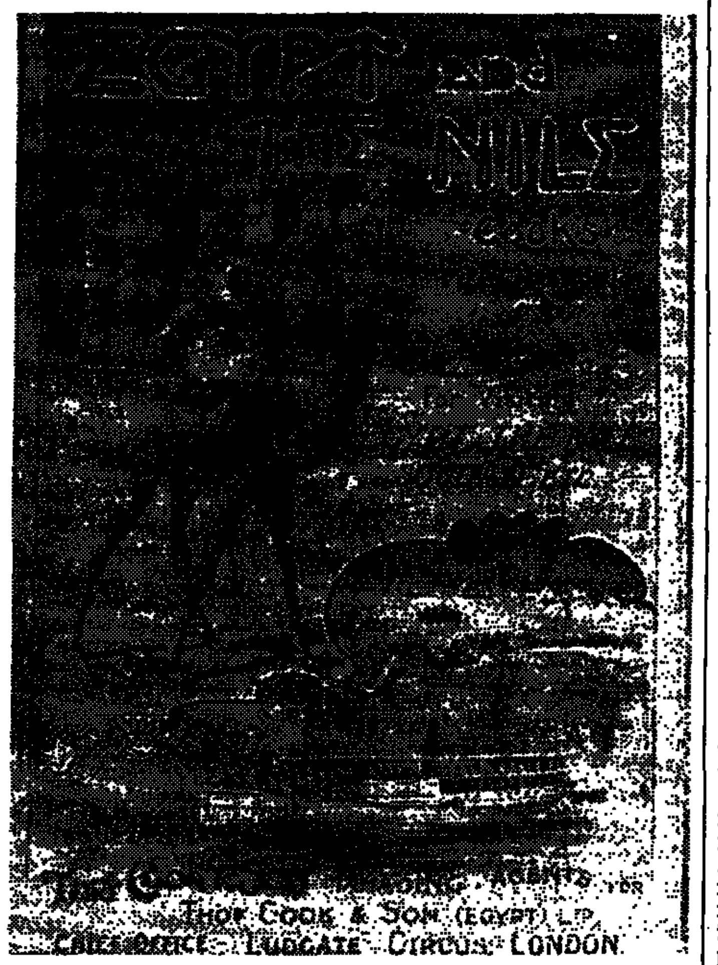
Progress has been rapid since the arrival of Mr Driessen. His early ambition to get into the holiday clubs market was achieved last September when LTU announced a 50-50 joint venture with France's Club Mediterranée to open at least 10 clubs in the Mediterranean and Caribbean specifically for German-speakers.

Other projects include filling in gaps in the product portfolio: providing high-growth services such as golfing tours or educational trips which are showing annual growth of 10 per cent or more in the German market.

According to Dresdner Bank, tourism is set shortly to overtake motor manufacturing as the world's second-biggest industry. Although it is still a long way short of this level inside Germany, there are no signs of slackening demand for aircraft tickets.

Longer term, LTU will come to market. According to the Westdeutsche Landesbank, which holds 34 per cent of LTU, the group is to be converted to a joint stock company later this year in preparation for flotation in the late 1990s.

Meanwhile, LTU insists that Thomas Cook will be run as a completely separate entity. "We like it as it is," a spokesman said yesterday. Such sentiments would suit the original Mr Cook, whose lofty ambitions and hard work would appear to fit in with LTU's latter-day priorities.



Thomas Cook travel poster from the turn of the century

Blue Circle launches £241m cash call

By Andrew Taylor, Construction Correspondent, in London

BLUE CIRCLE, Britain's biggest cement manufacturer, yesterday launched a £241.6m ($434.9m) rights issue to help pay for an acquisition to make it one of Europe's largest manufacturers of domestic heating products.

In the latest in series of cross-border mergers involving European heating companies it announced it had acquired for £124.9m Compagnie Internationale du Chauffage, a subsidiary of industrial holding company Nord Est.

Blue Circle proposes a one-for-five rights issue at 200p. Its shares rose 3p to 247p following announcement of the issue.

The total purchase cost, including net debt of £81.2m owed by the French company, better known as Celsius, is £206.1m. The remaining £35m of the rights issue will be used to fund expansion of the business.

The company is France's largest radiator manufacturer as well as a big producer of floor-standing boilers. It is a large supplier of domestic heating products to Germany. Blue Circle is a major supplier of heating products to the UK through its Potterton and Myson interests.

Last November, the British group acquired Thermopanel, Sweden's largest radiator producer, for £18.7m.

Mr Charles Young, chief executive of Blue Circle's home products division, said the purchases of Celsius and Thermopanel would make the group the second-largest European supplier of radiators behind Stelrad.

Mr Young said: "There has been a gradual harmonisation of European standards in the manufacture of domestic heating products. This has been reflected in the consolidation taking place in the European market."

Last month Germany's Robert Bosch conglomerate successfully bid $71.8m for control of Worcester Group, the British central heating boiler maker. Earlier this year Wolseley, the Midlands-based engineering group, paid FFr931m ($169m) for Brossette, a large French heating and plumbing supplier. In 1990 Hepworth, the UK building materials and home products group, paid £155m for Saunier Duval, the French boiler manufacturer.

The rights issue has been fully underwritten by Baring Brothers. Brokers are Cazenove and Hoare Govett Corporate Finance.

Lex, Page 16

INTERNATIONAL COMPANIES AND FINANCE

Wellcome seeks early bids in £4bn global share offer

By Maggie Urry in London

INVESTORS bidding for shares in Wellcome, the UK pharmaceuticals company, will receive more favourable treatment in next month's £4bn ($7.24bn) global sale if they put their bids in early and do not indulge in "market activity" that might depress the share price, Robert Fleming, the global co-ordinator for the sale, said yesterday.

The outline of the tender offer – under which the Wellcome Trust, the medical charity, will reduce its stake in the group by between 202m and 417m shares – was announced yesterday.

Following the announcement, Wellcome shares slipped 5p to 958p.

The filing of the "pink herring" prospectus, so-called because it omits more of the final details of the sale than is usual, allows the group to begin the process of familiarising international investors with the group's business.

Wellcome, which went public in 1986, is not a well-known company outside of the UK, although its drugs – notably Retrovir, its controversial Aids treatment – are famous.

As the trust still owns 73.6 per cent of the equity, dealing in the shares has been difficult. Only 2 per cent of the shares are held in the US, the most important market for the company's products.

Mr Roger Gibbs, chairman of the trust, said that every £1bn raised in the sale would provide the trust about £35m extra each year to allocate to medical research.

Mr Lawrence Banks, head of corporate finance at Fleming, said the structure of the sale was designed to maximise the proceeds to the trust and to produce an orderly aftermarket for the shares.

The final size and price of the offer will be determined by bids made by investors to the issue's managers in eight regional syndicates.

The offer follows the US style of a book-building sale, which is expected to give the trust a higher price for its shares than would a UK-style offering. The issue will not be underwritten, meaning that fees will be higher than a UK issue but the discount to the market price should be significantly lower.

An offering circular, giving a provisional size of the sale, will be published on June 25, marking the beginning of the marketing campaign.

The tender period starts on July 6, but bids will only become firm at the closing date two or three weeks later.

Pricing is expected to take place overnight or over a weekend so that investors do not carry any significant market risk.

Investors will be competing on equal terms, with all the shares sold at the same price.

Bidders must disclose the identity of investors on whose behalf they are acting, and the trust has promised the company it will not allow any one investor to hold over 10 per cent of the shares following the sale.

Ahold shows 11.5% advance

By Ronald van de Krol in Amsterdam

AHOLD, the Dutch food retailer which generates about half of its sales in the US, said net profit had risen by 11.5 per cent to Fl 85.1m ($47.2m) in the first quarter of 1992.

Operating profit showed a significantly stronger rise than net profit, increasing 25.7 per cent to Fl 146.5m.

Growth in net profit was held back by a sharp increase in financing charges, reflecting Ahold's acquisition last year of Tops Markets, the New York-based supermarket chain.

Financial charges nearly trebled to Fl 34.4m from Fl 12.2m in the same period a year earlier.

Last month, Ahold reported that first-quarter sales had surged by 22.1 per cent to Fl 6.7bn, boosted partly by the contribution of Tops, the Dutch company's fourth supermarket chain in the eastern part of the US.

In the first quarter, the US chains BI-LO and Giant Food Stores had produced "satisfactory" sales rises, Ahold said. However, the First National chain, with outlets in the recession-ridden New England states, saw only a slight rise in sales.

Operating profit rose by 6.9 per cent in the Netherlands, where Ahold owns the Albert Heijn supermarket chain, the market leader.

In the US, operating profits jumped by 40.3 per cent after the first-time consolidation of Tops. Excluding Ahold's latest acquisition, US operating profit was up 6.5 per cent in the first quarter.

Ahold, which released the profit figures after the close of stock market trading, repeated earlier predictions that full-year results would show further growth.

● VNU, the largest publisher of consumer magazines in the Netherlands and Belgium, has taken a 51 per cent stake in Mona, the biggest publisher of women's magazines in Czechoslovakia.

The company also acquired an option to buy the rest of the shares in 1993. No terms were given.

Mona, based in Prague, publishes four women's magazines including Vlasta, the Czechoslovak market leader with a circulation of 400,000.

The three other magazines have circulations ranging from 80,000 to 300,000 copies.

VNU, which is based in the Netherlands, is concentrating its eastern European expansion on Russia, Hungary and Czechoslovakia.

In November, VNU entered a joint venture with ILK, a Hungarian publisher, in the field of crossword puzzle magazines and magazines aimed at teenage girls.

VNU was also involved in the establishment of two English-language titles in Russia – Moscow Magazine and Moscow Guardian.

Euro Disney pushes back theme park's second phase

By Alice Rawsthorn in Paris

EURO DISNEY, which seven weeks ago opened its new Euro Disneyland theme park outside Paris as Europe's most expensive leisure complex, is postponing the opening of the second phase of the park for a year until 1996 and is developing plans to try to improve attendance levels.

The group is reverting to its original plan to open the park's second phase in 1996 for "technical reasons". A year ago it decided to bring the opening forward.

Euro Disney, which has been dogged by unconfirmed rumours of poor attendance since the opening, made an operating loss of FFr80,000 ($14,732) on sales of FFr3.07bn in the six months to March 31. It said yesterday that "because of operational uncertainties" it could not say whether it would become profitable in the present financial year.

Euro Disney refused to disclose specific budgets or attendance targets before the theme park's opening on April 12.

However, the company yesterday confirmed that more than 1.5m people have visited the park since the opening night. Euro Disney would not say whether this level of attendance conformed with its original expectations. It said it "needed a full year of operation" before any reasonable assessment of its performance could be made.

In a downbeat statement Euro Disney said that attendance at the park, and the occupancy of its hotels, had "fluctuated considerably".

Euro Disney noted that attendance during the weekends and holidays had "significantly exceeded" mid-week levels. It also claimed that prospective French visitors had been deterred by "misleading reports of traffic jams and over-crowding".

Euro Disney, which last weekend ran a lavish series of special advertising supplements in the European press, is considering plans to increase attendance in off-peak periods, during the week and from within France.

Czech deal with clear attractions

Anthony Robinson on Glaverbel's glass-making venture with Sklo Union

GLAVERBEL, the Belgian-based glass company controlled by Asahi Glass of Japan, is pleased with its pioneering decision in 1990 to invest in a joint venture with Sklo Union, Czechoslovakia's largest glass company. The move has given it a significant advantage in the highly competitive European glass market.

Since Glaverbel's decision to invest an initial $48m in a 40 per cent stake in the joint venture – known as Glavunion – more than 1,500 workers have been shed from the original workforce of 4,900. Over the same period, production of plate, vehicle and mirror glass has risen by over 25 per cent.

Exports to western markets, which already accounted for 40 per cent of Sklo Union's sales before the joint venture, have risen to 65 per cent. Production from Glavunion's plants in Teplice, northern Bohemia, has found new outlets through Glaverbel's existing European sales network.

In addition, sales into the depressed domestic market have also been revitalised through the establishment of a new privatised retail and distribution network with 14 outlets across the republic.

Glavunion's energy, raw material and labour costs are all "significantly" lower than in Glaverbel's west European plants and those of its main rivals – St Gobain of France, Pilkington of the UK and Guardian Glass of the US, according to Mr Stepan Popovic, managing director of the joint venture. These factors, and Teplice's location only 60km from Dresden, are clear advantages in supplying the booming construction market in eastern Germany.

Specific German investments in Czechoslovakia, such as Volkswagen's plans to expand production at Skoda, the Czechoslovak carmaker, have also prompted Glaverbel to boost output of vehicle glass.

The company currently delivers 200,000 glass sets a year to VW-Skoda and expects to double this within two to three years. At the same time, Glavunion recently elbowed aside St Gobain to win what Mr Popovic would only describe as a contract "to supply a substantial and rising volume" of vehicle glass to Fiat in Italy.

The experience of Glavunion reflects the attraction of Czechoslovakia as a relatively cheap and efficient production base for sales to European Community markets. Provided this weekend's general elections offer a reasonable chance of continuing political stability, foreign investment bankers and advisers there believe several billion dollars of foreign investment is forthcoming.

Encouraged by early signs of progress, Glaverbel decided to speed up its original investment timetable. It raised its stake from 40 to 51 per cent last July, and paid another $32.4m to raise its shareholding to 67 per cent on June 1, bringing its total equity investment to $80.4m.

Four per cent of Glavunion's shares are reserved for employees, while the remaining 29 per cent shares are held by Sklo Union, still a 100 per cent state-owned enterprise.

This will change shortly, however, as 81.5 per cent of the shares in Sklo Union have been submitted for the "first wave" of the mass privatisation scheme under which shares in 900 Czech and Slovak enterprises will be available for purchase through special vouchers. These have been taken up by 8.5m Czech and Slovak citizens.

Along with other Czech banks and enterprises, Sklo Union and Glavunion decided to set up their own investment fund in a 50-50 joint venture with a private entrepreneur. The fund, called First Privatisation Fund, attracted 117,000 voucher booklets from individuals willing to leave investment decisions to the fund managers. The fund will invest the vouchers in some 70 companies, including Sklo Union.

Glavunion's emergence as the jewel in the Sklo Union crown has left Czech senior management full of praise for Glaverbel's managerial style.

Contrary to earlier fears, the company was able to shed 1,500 workers without strikes or protests. "We closed down one old fashioned sheet glass plant employing 300; privatised our wooden box manufacture, transport and maintainance divisions; and asked for voluntary retirements. But those who were made redundant have found jobs in the fast-growing private sector," said Mr Popovic.

For those who remain, pay and conditions have improved. The head office currently reverberates with the sound of pneumatic drills as workers rebuild the building's toilets. "In a way the dirty, stinking toilets symbolised the basic contempt for people under the old communist regime. I vowed that one of our priorities would be to make decent toilets both in the offices and the plant."

The biggest problem inherited from the old regime, according to Mr Popovic, is the difficulty of finding bright people capable of thinking in a market-oriented way. "We have just employed two plant directors in their early 30s, and in future will only take on people straight from university. We will send them to gain experience at Glaverbel plants in Benelux and Canada and only then will we set them to work here."

Baltica parent down sharply

By Hilary Barnes in Copenhagen

BALTICA Holding, parent company to Denmark's biggest insurance group, has blamed a reduction in capital gains on securities for a dramatic slide in first-quarter profit. Results were down to DKr27m ($3.9m), compared with DKr554m in the same period last year.

Shareholders' equity fell from DKr9.69bn to DKr9.22bn, while total assets increased from DKr115bn to DKr124bn.

Capital gains on the securities portfolio were down DKr500m. The group pointed out that there were substantial capital gains last year associated with the end of the Gulf war.

Insurance operations were satisfactory despite lower investment income, but the group was forced to increase loss provisions on property and construction engagements.

Developments in the property and construction markets may badly affect results for the full year.

COMPANY NEWS IN BRIEF

■ Talks between the German cartel office and Dresdner Bank and the insurance group Allianz Holding about the legality of their co-operation pact ended without progress, Reuter reports from Berlin.

"Further talks will be necessary – if needed, separately with the individual companies," the cartel office said.

The office maintains a co-operation pact between the bank and the insurer breaches cartel regulations.

■ Kaufhof, the German retailer, said group sales in the first five months of 1992 reached DM7.2bn ($4.41bn), 10 per cent higher than in the previous corresponding term, AP-DJ reports from Cologne.

Mr Jens Odewald, chairman, said the company believed this year it would achieve "double-digit" sales growth. He also said he expected profits to grow at an even faster rate than sales, as in 1991.

He said he was "not dissatisfied" with the five-month result.

The company said earnings per share, according to the German Association of Financial Analysts' (DVFA) formula, which excludes extraordinary items and allocations to a company's reserves, rose 32 per cent in 1991, to DM23.82.

■ Ciments Français will bid to buy some of 11 state-run cement plants on offer by the Turkish Privatisation Office (KOI), according to Set Group Holding, the French group's Turkish subsidiary, Reuter reports from Istanbul.

KOI plans to raise TL2,500bn ($368.8m) from the privatisation of the state cement firms. It will open tenders for the plants at the end of next month. The plants have total capacity of 5m tonnes.

INTERNATIONAL COMPANIES AND FINANCE

IBM sets up offshoots to compete with PC clones

By Michiyo Nakamoto in London and Louise Kehoe in San Francisco

IBM has set up independent, wholly-owned subsidiaries in the UK and Canada to sell low-cost personal computers that will compete directly with cheap clones.

The new UK company, Individual Computer Products International, will market a range of PCs under the Ambra brand name to target the low end of the European market.

The Canadian subsidiary, ExperComp Services, will also offer the Ambra PC products. UK prices will start under £1,000 ($1,800) while in Canada Ambra PCs bundled with several software programs will sell for C$1,600 (US$1,333). The first Ambra products will go on sale in the UK today. In Canada, Ambra will make its debut in August.

The move reflects IBM's new willingness to break with past practices and give its business units greater freedom to use innovative approaches to increasing sales. "Today's announcement is another step in our transformation to a federation of focused business units," said Mr Bill Etherington, president and chief executive of IBM Canada.

Through the new units, IBM aims to gain entry to highly price-sensitive segments of the PC market in which its own brand name products cannot compete.

IBM is addressing this market on a country-by-country basis as PC prices, distribution channels and buying patterns vary widely in different parts of the world.

In the US, where PC clones are selling for well under $1,000 through computer superstores, IBM may take a different approach. One option said to be under consideration is to acquire an equity stake in an existing clone manufacturer.

Many leading participants in the computer industry, including IBM, have seen their PC market shares fall over the years in the face of fierce competition from manufacturers of cheap clones.

"IBM saw a market place segment that had grown to significance in which they did not participate," said Mr Bill McCracken, general manager of IBM Europe Personal Systems Business Unit, the parent company contact for the new subsidiary. "We want to be in that market place."

In Europe, the bottom end of the market has been growing at about 45 per cent compared with 21 per cent forecast for the entire computer market.

Rather than try to compete by launching a series of clones itself, IBM, which already has a joint venture clone company in South East Asia, decided it needed a separate company that would have the flexibility of a smaller organisation and the benefits of a fresh corporate image.

Ambra products will be made in Asia by an unnamed third party supplier. They will use 386 microprocessors manufactured by Advanced Micro Devices, breaking with IBM's own close ties with Intel, the leading microprocessor-maker.

The Ambra products will not be handled by IBM's own sales force, but will be sold through dealers, retailers and direct response.

May sales improve for top US retailers

By Martin Dickson in New York

MANY leading US retailing groups yesterday reported improved sales figures for May, despite unseasonably cold weather, adding fresh evidence of slowly improving consumer confidence and economic recovery.

Wal-Mart, the rapidly-expanding discount chain which is now the largest retailer in the US by sales, reported a 12 per cent rise in same-store revenues compared with May 1991. With its new outlets added to the total, sales shot up 27 per cent to $4.44bn.

Rival discounter K mart reported a 1.5 per cent increase in comparable store sales and an overall rise of 6.7 per cent, to $2.92bn.

Mr Joseph Antonini, chairman, said: "The gain was achieved despite colder-than-normal weather that adversely affected a number of important K mart discount store spring businesses, most notably apparel and our outdoor garden shop."

However, J.C. Penney, the department store and catalogue group, reported a sharp advance in clothing sales throughout the US as it reported an 8.8 per cent increase in comparable store sales, and an overall increase of 9.8 per cent, to $882m.

Sears, Roebuck, the Chicago-based stores and catalogue group, produced a 0.3 per cent increase in like-for-like sales and a 1.1 per cent increase in total sales, to $1.71bn.

It said there were increases in major appliances, home office equipment and furniture, "continuing the trend started in January and indicating improving confidence in the economic recovery as consumers undertake major purchases".

But it added that the weather meant large sales declines in seasonal products, such as lawn and garden equipment, air conditioners and some clothing lines.

GM to sell GMFanuc stake to partner

By Martin Dickson in New York

GENERAL MOTORS is selling its 50 per cent stake in GMFanuc Robotics to Fanuc, the large Japanese robotics company which is its partner in the 10-year-old joint venture.

The deal is the latest example of GM's new strategy of disposing of peripheral businesses to concentrate on turning around its heavily loss-making North American automotive operations.

Fanuc said it would be making a cash payment to GM but gave no details. GMFanuc, which supplies GM and other industrial companies with robotic systems for painting, welding and other manufacturing techniques, had sales last year of over $250m.

It was established in 1982 at a time when Fanuc had little manufacturing presence in the US and when GM was anxious to bring robotics technology to its plants.

Fanuc now has several businesses in the US, including a joint venture with General Electric which produces controllers for machine tools.

GMFanuc's present management will remain in place and the company, which employs some 670 people, will continue to operate its sales, engineering and assembly facilities in Auburn Hills, Michigan.

Mr William Hoglund, GM's chief financial officer, said the company intended to "maintain our important relationship with GMFanuc as a GM supplier of plant automation". The sale is expected to be completed later this year.

In April, GM put up for sale its Allison gas turbine division, which employs 5,800 people and makes turbine engines for the aerospace, industrial and marine markets.

USAir gains concessions worth $55m from pilots

By Nikki Tait in New York

USAIR, the ailing US airline whose losses have topped $750m after tax during the past two years, said it had secured wage concessions worth $55m from its pilots over the next 12 months.

The carrier added that when a new four-year contract agreed with the Air Line Pilots Association is fully implemented, annual savings should total $100m.

USAir is among the most financially-fragile carriers in the US, although it has stayed out of bankruptcy. Last autumn, it announced a plan designed to cut operating costs by over $400m.

This involved progressive salary reductions for non-contract employees when at least one of its three big unions agreed to do the same – a condition fulfilled by the ALPA agreement. USAir executives agreed to take salary reductions with effect from January 1, regardless of union actions.

The cost-savings, however, come as prospects for the US airline industry remain bleak, with few analysts expecting it to show a profit this year. The latest round of domestic fare competition has been intense, with travel agents reporting computer "crashes" as travellers scramble to secure cheap fares before these expire.

Revealed: The secret life of O&Y

The newly-appointed information officer speaks to Bernard Simon

A NONDESCRIPT office on the 28th floor of Toronto's Exchange Tower shows just how much life has changed at Olympia & York in the past three months.

Furnished with a few library-type tables, a large photocopying machine and a row of bulky filing cabinets, the room is one of three O&Y "information offices", where creditors of the once-secretive developer can now pore over its most sensitive financial data.

The information offices – the other two are in New York and London – are part of a two-pronged effort by O&Y to win the confidence of banks and other lenders as it seeks to reschedule its C$13.5bn (US$11.20bn) debt.

The other leg of O&Y's belated willingness to open its books is the appointment of Mr Bernard Wilson, a partner at Price Waterhouse in Toronto, as "information officer", to liaise between the company and its creditors.

Mr Wilson's position is unique in a corporate restructuring. However, it reflects creditors' concern in the early days of O&Y's troubles that the developer was reluctant to change its secretive ways.

Several lenders complained after their first meeting with the company on April 13 that information contained in their briefing books was sketchy and out of date.

The job went to Mr Wilson, an avuncular 49-year-old accountant, partly because of his own expertise in corporate restructurings, and partly because Price Waterhouse has worked as O&Y's auditors for the past 11 years. "We can utilise our knowledge of the company and its people," Mr Wilson says.

O&Y will foot the bill for Mr Wilson's fees, which he declines to disclose, beyond insisting they will not be a large part of the restructuring expenses.

The information officer's job was created under the same May 14 court order which gave O&Y protection from its creditors under Canada's Companies Creditors Arrangements Act. His role has been clarified in subsequent court rulings.

Mr Wilson thus has jurisdiction only over data pertaining to the parent company, Olympia & York Developments, and its Canadian assets, which together account for about two-thirds of the company's total debt. He can demand information on O&Y's US buildings or Canary Wharf only insofar as their affairs are relevant to creditors of the parent company.

Mr Wilson says he and his team have so far fielded about 50 requests for information.

Although O&Y's secrecy has been stripped away, he still has to contend with the fact that the Reichmann family firm has never had an internal reporting system geared to inquisitive outsiders. Unlike public companies, for instance, O&Y's financial managers have not been accustomed to compiling monthly reports for directors' meetings.

Price Waterhouse is only now completing its audit of O&Y's books for the year to January 31 1992. The figures should be available by the last week of June.

Mr Wilson hopes to be able to answer many of the enquiries by referring questioners to the information rooms. Documents now available there include O&Y's debt agreements, its land and tenant leases, and appraisals of its properties. However, visitors to the rooms require either Mr Wilson's or the company's permission, and are required to sign confidentiality agreements.

Mr Wilson's job will also be made easier with the setting-up of about half a dozen creditor committees, representing O&Y's 91 bank lenders as well as dozens of holders of publicly-traded securities.

Reports to these committees will probably be synchronised with the monthly reports which Mr Wilson will draw up on O&Y's receipts and disbursements.

The first report is due on June 15. It will not only give a clue to the company's financial condition since its troubles surfaced, but will also enable creditors to compare actual performance with the projections which O&Y gave Mr Wilson last month.

Olympia & York - Debt Collateralised by Securities at June 3 ($000)

Debt Holder		Loan Principal	Market Value Securities	Surplus (Deficiency)	Loan to Value Ratio
Bank of Montreal	C$	105,000	132,761	27,761	$1.26
Canada Trustco	C$	100,000	104,291	4,291	$1.04
Eurocreditco Bond Issue	C$	100,000	84,075	(15,925)	$0.84
Bank of	US$	280,075			
Nova Scotia	C$	336,230	277,182	(59,048)	$0.82
Credit Lyonnais	US$	1,250,000			
Syndicate	C$	1,500,625	980,451	(520,174)	$0.65
Hong Kong & Shanghai Bank	US$	750,000			
	C$	900,375	588,270	(312,105)	$0.65
Royal Bank	US$	250,000			
	C$	300,125	196,090	(104,035)	$0.65
Dai-Ichi	US$	250,000			
Kangyo Bank Syndicate	C$	300,125	196,090	(104,035)	$0.65
Citibank	US$	500,000			
Syndicate	C$	600,250	172,551	(427,699)	$0.29
Other	C$	468,522	678,122	209,600	$1.45
Total Olympia & York	C$	4,711,252	3,409,882	(1,301,370)	$0.72

Source: Mclean McCarthy, Toronto

Unusual use of flexible legislation

By Andrew Jack

THE CANADIAN courts took an unprecedented step by appointing Mr Bernard Wilson as "information officer" when Olympia & York filed for protection from its creditors under the Companies' Creditors Arrangement Act.

No previous example of this post exists, but the legislation under which he was appointed is extremely flexible.

The Act was passed in 1933 and proved popular during the Depression. It then fell into dis-use, but has seen a resurgence during the last few years. It runs to only a few sections in the law books and has left the courts considerable discretion in how to operate the procedure.

Mr Wilson's appointment is one example of this flexibility, and comes as a direct response to complaints from creditors to O&Y about lack of sufficient, up-to-date financial information.

The CCAA restructuring allows O&Y's management to remain in charge of the companies as the "debtor in possession". Creditors are sub-divided into a series of different voting classes, and a negotiating process with them begins under court supervision.

Once the debtor has drawn up a reorganisation plan, it must be approved by three-quarters of the creditors by value in each class. The original CCAA petition granted the management until July 13 to file their plan with the court, and a further 60 days to gain creditors' approval – although these dates are likely to be extended.

The plan needs to be approved by the court, which assesses whether all statutory conditions have been met.

Hong Kong telecoms accord raises profit doubts

By Simon Holberton in Hong Kong

THE HONG Kong government's new regulatory agreement with Hongkong Telecommunications has left the company worse off, according to analysts in the colony. They say the accord has failed to remove uncertainty over future regulation of its key international telecoms business.

The measures announced this week could open Hong Kong's domestic telecoms market to increased competition after 1995.

The two parties agreed to change from profit control of domestic business to "incentive regulation", by applying an "inflation minus 4 percentage points" formula to domestic pricing of services.

However, an agreement by Hongkong Telecom to cut its international telecom rates by 12 per cent over three years has captured the Hong Kong stock market's imagination.

The price reduction in the first year will be 8 per cent, followed by a 2 per cent cut in prices in each of the following two years.

These changes are unlikely to come into effect until early next year because laws must be amended first. The delay may insulate this year's earnings, but further on it will have a negative impact.

"The company is in for a period of much slower earnings growth," said Mr Andrew Harrington, a member of Salomon Brothers' global telecoms team. "It is difficult to see this company going anywhere, in share price terms relative to the Hong Kong market, for the next couple of years."

He said the government's statement that it would look again at Hongkong Telecom's international pricing in three years meant there was still uncertainty over the company's share price.

This was denied by the company. Mr John Tonroe, finance director, said the company believed any uncertainty over regulation was now out of the way. He did, however, agree that Hongkong Telecom's profits would be hit.

"There is no secret that the international side [of the business] has been the engine of growth," he said. "There will be an adverse impact on profitability."

Just how adverse will depend on what happens to the growth in international telecoms usage as a result of the price cuts. This hinges on the elasticity of demand.

The problem with Hongkong Telecom is that it is already one of the world's cheapest carriers. So although in the US and Europe there might be big volume gains from price cuts in Hong Kong, those gains might be smaller and take a longer time to show through.

The accompanying chart gives three scenarios showing the effect of faster or slower growth in volumes as a result of the price cuts. It assumes the price reductions will not be introduced until next April.

The company will, however, have the freedom to target its price reductions, as long as it achieves an overall 12 per cent cut over three years.

Although the company's exclusive franchise to provide international voice telephony is secure until 2006, the government has signalled it is to seek further ways in which other operators can be allowed in to that market without breaching the terms of the franchise.

EFFECT OF INTERNATIONAL PRICE CUT ON HONGKONG TELECOM EARNINGS (HK$m)

Year to March ♣	1992	1993	1994	1995	1996
International Revenues	1,084	13,337	15,837	18,807	20,993
Tariff Reductions - assume effected April 1			8%	2%	2%
Revenue effect*			−1,109	−1,269	−1,260
Earnings effect*			−10%	−9%	−8%
Revenue effect**			−950	−868	−420
Earnings effect**			−8%	−5%	−3%
Revenue effect†			−633	−188	−210
Earnings effect†			−6%	−1.5%	−1.5%

*Optimistic: assumes that all tariff reduction is regained in extra volumes by the end of year 1
**Median: assumes that all tariff reduction is regained in extra volumes by the end of year 2
†Pessimistic: assumes that all tariff reduction is regained in extra volumes by the end of year 4
♣ 1992 actual; 1993-96 estimated

Source: Salomon Brothers

JAL unveils plan to increase revenues

By Stefan Wagstyl in Tokyo

JAPAN Air Lines, the Japanese international carrier which last month announced a loss for the year to the end of March, yesterday unveiled a cost-cutting and revenue-boosting programme.

By increasing income from domestic operations, JAL hopes by the 1996-97 financial year to increase net revenues by Y100bn ($782m) a year. It is planning a Y25bn pre-tax profit in 1996-97.

The company, hit by the recession in the airline industry and the slowdown in the Japanese economy, is halving to 250 the number of employees it plans to recruit in Japan next year.

JAL is scrapping plans to hire 900 extra ground staff, the number of managers will be cut by 50 to 500 and around 30 overseas posts will be axed. However, the airline intends to continue hiring cockpit crew.

Overall, employment will still rise, albeit more slowly than planned – from 22,100 now to 23,600 in 1996. Other proposals include transferring some administrative and maintenance work overseas.

At the same time, JAL plans to increase its share in the lucrative Japanese domestic market from 24 per cent to around one-third. It wants domestic revenues to increase from 24 per cent to 30 per cent of total revenues and intends to expand its network and to increase the frequency of flights.

Fuji Photo earnings slip to Y87bn at six months

By Emiko Terazono in Tokyo

FUJI Photo Film, the Japanese photosensitive film-maker, suffered a 10.4 per cent decline in consolidated pre-tax profits to Y87bn ($681m) for the six months to April due to higher costs and increased competition.

Overall, sales rose 2.7 per cent to Y563.3bn. Operating profits, however, declined 4.9 per cent to Y84.2bn due to a 6.3 per cent rise in sales costs and a 19 per cent increase in research and development costs. After-tax profits fell 16.9 per cent to Y40.2bn.

Fuji's non-operating profits plunged 67.6 per cent to Y2.7bn as a result of a decline in interest and dividends received.

For the full year to October, Fuji forecast a 13.5 per cent fall in after-tax profits to Y82bn on a 2 per cent rise in sales to Y1,140bn.

● Du Pont Merck Pharmaceutical of the US and Banyu Pharmaceutical of Japan are to form a new company in Japan to develop and market Du Pont Merck products there, AP-DJ reports from Wilmington.

Officials of both companies said they expected to have the definitive agreements completed by the end of the year. Terms of the deal were not disclosed.

Du Pont Merck said: "Japan represents more than 20 per cent of the world market for pharmaceuticals. In order to achieve our vision of being a worldwide, research-based pharmaceutical company, we must participate in the Japanese market."

Egyptian bankers baulk at fund levy for BCCI unit

By Tony Walker in Cairo

EGYPT this week initiated a $300m bailout of the local subsidiary of the failed Bank of Credit and Commerce International, but bankers in Cairo have reacted testily to demands they foot part of the bill.

Dr Atef Sedki, the prime minister, announced in parliament that the government planned to re-float Bank of Credit of Commerce Egypt (BCCM) with an interest-free loan, part of which would come from a levy on bank deposits.

A number of banks have yielded to demands for the payment of one-quarter of 1 per cent of their deposits to what the central bank is describing as a "solidarity" fund to save BCCM, but the general manager of a large joint venture bank said his institution had baulked. "We are not running a charity," he declared.

Banks, which have reluctantly fallen into line, say they are still arguing with the central bank over how the "solidarity" payment should be classified. Mr Hazem Beblawi, chairman of Export Development Bank of Egypt, said he considered his bank's contribution "a refundable deposit" with the central bank.

BCCM activities were frozen last year after BCCI's collapse. The Egyptian subsidiary, 49 per cent owned by BCCI, had some $375m of total deposits of $600m with its parent. Egyptian shareholders held a 51 per cent stake in the bank.

The government has indicated that it plans to offer BCCI's stake for sale, but local bankers are sceptical about BCCM's recovery. One senior Egyptian banker said it was more likely that it would be taken over by an existing institution.

Dr Atef Sedki: plans to re-float Bank of Credit and Commerce Egypt

Liquidators responsible for salvaging something from the BCCI wreckage – the bank collapsed owing $14bn – say that depositors may receive a payment of 30 to 40 per cent of their funds.

The government's attempts to unravel the BCCM tangle coincides with parliament's approval this week of a new banking law that notionally strengthens the central bank's regulatory capabilities.

But the original draft has been considerably watered down, and bankers doubt that the central bank supervisory capabilities will be much changed by the new law. The central bank had argued for a stronger hand at a time when Egypt has entered a transition to a market-oriented economy in which local financial institutions are expected to play a more adventurous role.

The banking law's main features include provision for a new deposit insurance scheme and foreign currency branches of international banks will be empowered to deal in local currency as a further step towards bolstering the Egyptian pound's claims to be regarded as a freely-convertible currency internationally.

Foreign currency branches would be obliged, however, to incorporate themselves as fully-fledged banks locally if they wish to extend their activities.

As one Egyptian official said: "Branches cannot open additional branches."

Mr Mohammed Hafez, chairman of Banque Misr, one of Egypt's "big four" public sector commercial banks, said it was hoped that the new banking law would help facilitate mergers and acquisitions among Egypt's banks, some of which have been struggling.

Bankers have long believed that Egypt is "overbanked", and that a reduction in the number of local financial institutions is desirable.

Questions on Italian bids still unanswered

By Haig Simonian in Milan

CONSOB, Italy's stock market and companies watchdog, yesterday fleshed out some of the missing parts of the country's new laws on public share offerings and takeover bids for quoted companies, passed earlier this year.

However, many crucial questions, such as the detailed conditions for triggering a takeover bid and precisely how such a transaction would work, remained unanswered.

The continuing lack of such information has unsettled the Milan stock market. After a brief speculative burst based on hopes that the new rules, which are supposed to protect the rights of minority shareholders in quoted companies, could push up the values of some stocks, interest has once again dwindled.

Under the new rules, which went into effect in early March, Consob had a three-month limit to clarify information requirements for public share offerings – which it has now done.

However, details about takeover bids did not face the same deadline, and have still to be resolved. The new takeover law, passed in haste by Italy's outgoing legislature, has been criticised by brokers as imperfect and difficult to interpret. However, a Consob official yesterday could give no indication when the new rules might be clarified.

● Simint, the quoted clothing company controlled by financier Mr Francesco Micheli and designer Mr Giorgio Armani, is raising L60bn ($48.8m) through a capital increase.

The step is designed to back an initiative last month to facilitate share purchases by US investors through a programme of American depository receipts (ADRs). Simint is issuing 4.57m ordinary shares and 14.45m preference.

The new stock, for which existing shareholders will not have buying rights, will be priced at a minimum of L4,600 for ordinary share and L2,600 for preference stock.

The rise and fall of Swiss junk bonds

A spate of UK defaults has spread fresh gloom, writes Ian Rodger

THE collapse of the junk bond market in Swiss francs, once one of the most active debt markets for high-risk companies, has been confirmed by a spate of defaults by UK companies, including the formal insolvency of the Mountleigh property group.

The market had already been in the doldrums for several months because of high interest rates and the weakness of the Swiss franc, but the latest round of British corporate collapses has spread fresh gloom.

The rise of the Swiss franc bond market for high-risk foreign companies was one of the stranger phenomena of the late 1980s. Until 1985, the Swiss corporate bond market had been one of the safest in the world, with a monopoly underwriting syndicate preventing all but the highest quality issues from being launched.

Then the Swiss National Bank indicated that it would allow non-Swiss banks to form underwriting syndicates, and the Geneva-based Soditic, then an affiliate, now a subsidiary, of S.G. Warburg, the UK merchant bank, rushed in.

Over the next few years, Soditic brought a surprisingly large number of foreign companies to the Swiss market, including some, such as Mountleigh, Polly Peck and Bond Corporation of Australia, of obviously speculative quality.

"Until Soditic set up its syndicates, Switzerland had the highest standards in the world for bond issues. Now it has the second largest junk bond market in the world," one Zurich fund manager says.

The main attraction for the companies was a remarkably low cost of borrowing. Soditic and others found that they could float unrated issues in Switzerland with less than a 1 per cent premium over interest rates on blue chip issues. A 1988 Polly Peck issue went at 5¾ per cent, a Maxwell Communications issue at 5 per cent.

In the long years of a tightly-controlled market, Swiss bond buyers had become accustomed to tiny differentials in coupon rates. Thus, when they saw something bigger they were too thrilled to look too carefully at the health warnings on the prospectuses.

Some criticise Soditic for exploiting this blind spot, but Mr Serge Ledermann, of Geneva private bankers Lombard Odier, disagrees. "I would not throw any stones at them. They proceeded honestly. Fund managers have to do their homework like everyone else."

When the 1980s boom ended, the market was inevitably hit, and Soditic issues have been prominent among the failures, including those of Bond Corporation, Polly Peck, Heron Corporation and Mountleigh.

The latest victim is Trizec, a Canadian property company with close links to Olympia & York.

In the wake of the collapse of Olympia and York Developments in the UK, Trizec's Swiss franc bonds plunged. A 1985 5¾ per cent issue due in 1995 slumped from SFr56 before the news to SFr40 on Friday, and a 1989 5 per cent issue expiring in 1999 went from SFr45 to SFr30.

Dealers are reluctant to put too much blame on company collapses for the sorry state of the market. The spread of less than 1 per cent between Swiss and German interest rates is the main culprit, they say. "We have never seen that before," one dealer said.

But there is a cumulative effect, especially as issuers default – something hitherto unheard of in Switzerland.

Holders of bonds that have gone into default have been startled to find that no one is obliged to represent their interests. There is no trustee function under Swiss law.

Soditic and other lead managers have tried to be as helpful as they can, but there are limits. "We are on the creditors' committee of Polly Peck, but we cannot vote because we have no mandate," the Soditic official says.

The problem is intensified because most of the bonds are held by investors who stuff their savings secretly into the Swiss private banks and do not want to identify themselves.

It all spells bad news for the future of the market. "It will be a long time before anyone can float anything with less than a double A rating," Franz Rüegg of Bank Julius Baer in Zurich says.

Meanwhile, Soditic is now attracting attention for its moves on the Swiss equity market rather than on the bond market.

Last week, it placed Swissair's 35.8 per cent stake in the travel agency Kuoni, worth close to SFr120m, with institutions in Switzerland and elsewhere in Europe.

SSAB's SKr1.85bn share offer oversubscribed

By Robert Taylor in Stockholm

THE SKr1.85bn offer of shares in SSAB, Sweden's state-controlled steel company, has been oversubscribed among private and institutional investors, it was announced yesterday.

The offer involves 126,666 units made up of government-guaranteed risk-free bonds priced at SKr14,800 and redeemable in 1994 for SKr17,000. Under the government's plan, 60,000 of the units have been offered to the general public and these are oversubscribed.

Yesterday, it was announced that the share allocation for individuals would be decided by lottery under the authorisation of an independent legal authority with the stipulation that in the first instance nobody could purchase more than one unit.

There has also been a large oversubscription among institutional investors for the 60,000 units of shares allocated for them, with 15,000 reserved for buyers from outside Sweden.

"The privatisation has been a great success, not just for SSAB but for our whole privatisation programme", said Mr Per Westerberg, Sweden's industry minister. The company is the first of 35 separate privatisations that are being planned over the next few years in Sweden's state industry sector.

Further information on SSAB's new shareholders will be made available in two weeks. The government is selling 48 per cent of SSAB's equity and 60 per cent of its voting rights.

Australian telecom group on 'surest financial footing'

By Kevin Brown in Canberra

AUSTRALIAN and Overseas Telecommunications Corporation (AOTC), the dominant participant in Australia's telecommunications duopoly, said it was entering the competitive environment "on the surest financial footing".

AOTC was created in February through a merger of Australia Telecom, the government-owned domestic carrier, and OTC, the government-owned international carrier.

Under Australia's competitive telecommunications regime, the group will compete with Optus Communications, a privately-owned corporation which acquired the loss-making Aussat satellite company.

AOTC said OTC recorded 8 per cent growth in demand for services in the 10 months up to the merger, when it made a net profit of A$260m (US$196.9m) on revenue of A$1.4bn.

Telecom Australia made a trading profit of A$1bn over the seven months before the merger, but reported a loss of A$204m after writing off A$1.2bn against asset value following a change of accounting practice.

AOTC said the write-down was largely attributable to depreciation of the Telecom exchange network. It said the write-down would not affect plans to spend A$40bn on capital investment over the next five years.

The company said it expected to make further "comparatively small" adjustments to asset values in its first financial report, which will cover the five months from February to the end of June.

Sappi expects European support

By Philip Gawith in Johannesburg

SAPPI, the South African paper and pulp group seeking to raise $250m through a Euro-equity issue, is confident it has won considerable support from European investors.

Mr Eugene van As, executive chairman, said yesterday he was confident the group would achieve its target of placing at least half the issue abroad, and perhaps do better.

The offer is the largest by a South African company since the lifting of trade and investment sanctions.

The main aim of the issue is to finance Sappi's DM396.5m ($243.2m) acquisition of Hannover Papier, a German fine paper group.

Mr van As said that although they would still have to "see the colour of everybody's money" – the issue is already massively oversubscribed with demand so far coming from South African investors.

Mr Van As said his impression was that Sappi had been "well received" while investors remained cautious about South Africa. He said many fund managers were still skittish about investing in South Africa for fear of criticism. Many of the current generation of fund managers have also never bought a South African stock.

Mr Richard Stuart of Martin, the stockbrokers who form part of the syndicate managing the issue, said Sappi was a major cyclical share. With 65 per cent of Sappi's earnings in hard currencies, the currency risk is considerably diminished, he said.

LEGAL NOTICE

Notice of appointment of liquidator
Voluntary winding up
Company Number 1778546
COUNTY HYDRAULICS LIMITED
Previous name of company Procut Hydraulics Limited, Procut Motor Factors (Hydraulic Division) Limited
Nature of business: General & Electrical Engineers
Type of liquidation Creditors
Address of registered office: Cork Gully, P O Box 282, 10 Albion Place, Maidstone, Kent ME14 5XG
Liquidator name and address: N J Vooght, Cork Gully, P O Box 282, 10 Albion Place, Maidstone, Kent ME14 5XG
Office holder number: 5339
Date of appointment: 14 May 1992
By whom appointed members
Date: 28 May 1992

Portco Limited

NOTICE IS HEREBY GIVEN, pursuant to section 98 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above-named company will be held at: 43 Temple Row Birmingham B2 5JT on 23 June 1992 at 11.00 am for the purposes mentioned in sections 99 to 101 of the said Act.
A list of the names and addresses of the company's creditors may be inspected free of charge at: 43 Temple Row, Birmingham, B2 5JT on 19 June 1992 and 22 June 1992.
By order of the Board
L Parry
Director/Secretary
DATED - 1 June 1992

BEX JAY UK LIMITED

In accordance with Rule 4.106 of the Insolvency Rules 1986, Notice is Hereby Given that Anthony Peter McQueen Benedict of Benedict McQueen, 3/4 Mulgrave Court, Mulgrave Road, Sutton, Surrey, SM2 6LF was appointed Liquidator of the above company by the creditors on 21 May 1992.
Dated this 22nd May 1992
APM Benedict FCA MIPA

INTERNATIONAL CAPITAL MARKETS

Selling of European bonds balanced by bargain-hunters

By Tracy Corrigan and Sara Webb in London and Patrick Harverson in New York

EUROPEAN bond markets ended above their lows yesterday, as bargain-hunters mopped up cheap paper. However, the recovery followed further concerted selling, with Ecu, Italian and Spanish bond markets again bearing the brunt of selling pressure in the after-shock of Denmark's referendum result.

Selling at the start of European trading gained impetus from substantial overnight liquidation of European bonds by Japanese investors.

The Ecu bond market ended half a point lower, having sustained losses earlier in the day of 1½ points. For the second day running, the Ecu bond futures contract on the Matif, the Paris futures exchange, had to be suspended when the price fell its full 1½-point limit, but the market subsequently recovered most of its losses.

In the run-up to the Danish referendum, Ecu bonds had been trading at yields substantially lower than their theoretical yield levels based on component markets: because of expectations that the market would benefit from monetary union, investors were prepared to pay more for Ecu bonds than their basket value would suggest. But following this week's sell-off, the spread between real Ecu bond yields and theoretical yields narrowed to about 15 points, at the 10-year area of the yield curve.

When valuing Ecu bonds, dealers are now likely to pay greater attention to component bond markets, and the Ecu market may not be able to sustain a premium to theoretical levels, according to analysts. However, there will be natural support for the Ecu market at the theoretical yield level, according to traders.

GOVERNMENT BONDS

■ SPAIN, once one of the most popular high-yielding bond markets among those investors hoping to benefit from the convergence of European interest rates, dropped nearly one point but later picked up to close about 20 basis points lower on the day.

Ten-year yield spreads of Spanish government bonds over German bunds have widened dramatically in the last two trading days. The spread, which stood at 286 basis points late on Tuesday, widened to 324 basis points yesterday morning and ended the day at 313 basis points.

Traders warned that the peseta bond-German bund yield spread could widen even further on fears that the Spanish government will be under less pressure to meet the convergence criteria in future, and on concern that there could be a realignment of the EMS currencies.

Italy's high-yielding government bonds also suffered heavy losses yesterday, as traders focused on the country's economic problems. However, the market made some recovery later in the day to close slightly lower. The yield spread over 10-year German government bonds widened from 497 basis points on Wednesday to 508 basis points yesterday.

■ GERMAN government bonds closed higher as dealers and investors continued to shift out of the higher-yielding European bond markets and into D-Mark assets in the wake of Denmark's rejection of the Maastricht Treaty.

The Liffe bund futures contract, which opened at 87.73, climbed as high as 87.98 yesterday, before slipping back to 87.94 in late afternoon.

■ THE FRENCH bond market ended ⅛ point lower, having regained ¼ point after early losses, in active two-way trading. The French market held up well, since it is considered one of the low-yielding markets, and a potential beneficiary of a two-speed Europe, if France were to join an advance party of European countries moving towards monetary union, as some analysts suggest may happen. However, concern about a French referendum on Europe announced on Wednesday is likely to inject a slightly negative note.

"It will be a summer of political uncertainty, against a background of extremely encouraging economic fundamentals," said Mr Kit Juckes, international economist at SG Warburg. "Occasional jitters are bound to resurface."

■ THE UK government bond market witnessed another day of turbulent trading, particularly in the futures contract. However, traders reported some buying interest as bond prices touched their lowest levels during the day and, as a result, the market closed almost unchanged.

Volumes in the Liffe gilt futures contract were very high for the second consecutive day at 67,000 contracts. The volume reached about 80,000 contracts on Wednesday, compared with a normal level of about 18,000. The futures contract opened at 98.13 and ended at around 98.16 yesterday.

In the cash market, the benchmark 11¾ per cent gilt due 2003/07 opened at 116½ and traded at 116¾ by late afternoon. Although the gilt market fell quite heavily at the opening, traders noted buying interest once the yields on long-dated issues moved above 9 per cent. The buying interest came from UK investors, many of whom switched money out of Spain and Italy, the higher-yielding European markets, into gilts.

"We expect to see a weaker trend in the gilts market until we get a much clearer idea about what is happening [to Maastricht]," said one trader.

■ TRADING in US Treasury markets was subdued yesterday morning as investors held their fire before today's crucial employment report for May.

By midday the benchmark 30-year government issue was down ⅛ at 101⅜, yielding 7.881 per cent. The two-year note was also lower at midsession, down ⅛ at 99⅜, yielding 5.192 per cent.

The morning's weekly jobless claims data, showing a 4,000 increase for the third week of May, provided no clues as to how the May employment report will look. Forecasts for today's numbers focus on a rise in non-farm payrolls of about 100,000. Only if the rise falls well short of that, or if payrolls show an absolute decline, is there a chance of the market making any gains.

Caution before the afternoon's money supply figures was another factor behind the quiet trading, although analysts did not expect the market to display much reaction to the data, unless there is a dramatic fall in M2 – the most closely watched measure of money.

■ JAPANESE government bonds edged lower yesterday, and dealers said the market was likely to remain trading in a narrow range until the release of the US jobs data for May today.

The yield on the benchmark No 129 JGB opened at 5.48 per cent, traded in a range of 5.47-5.505 per cent, and closed in Tokyo at 5.49 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	108.6878	+0.068	8.66	9.20	9.33
BELGIUM		9.000	06/01	100.5000	-	8.87	8.81	8.86
CANADA *		8.500	04/02	100.8000	+0.350	8.38	8.47	8.63
DENMARK		9.000	11/00	100.3500	+0.075	8.92	8.76	8.84
FRANCE	BTAN	8.500	03/97	98.4114	-0.112	8.90	8.74	8.88
	OAT	8.500	11/02	98.6100	-0.160	8.69	8.53	8.76
GERMANY		8.000	01/02	100.2200	+0.130	7.95	7.94	8.04
ITALY		12.000	02/02	98.6000	-0.330	13.011	12.65	12.88
JAPAN	No 119	4.800	06/99	95.3556	+0.145	5.73	5.61	5.88
	No 129	6.400	03/00	104.9387	+0.027	5.50	5.55	5.87
NETHERLANDS		8.250	02/02	99.4300	+0.220	8.32	8.29	8.38
SPAIN		11.300	01/02	100.0750	-0.175	11.25	10.92	10.98
UK GILTS		10.000	11/96	102-29	+4/32	9.18	9.10	9.31
		9.750	08/02	104-10	+2/32	9.09	8.94	9.20
		9.000	10/08	100-23	+2/32	8.91	8.78	9.07
US TREASURY *		7.500	11/01	101-02	-1/32	7.35	7.41	7.56
		8.000	11/21	101-08	-8/32	7.89	7.88	8.02
ECU (French Govt)		8.500	03/02	97.5400	-0.460	8.88	8.56	8.61

London closing, *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Robert Nottle: to announce change at the weekend

HK extends settlement period to two days

THE HONG KONG government has approved a lengthening of the settlement period on the colony's stock market to two days after a trade from the current one-day period to cope with huge turnover, Reuter reports from Hong Kong.

Mr Robert Nottle, the chairman of the Securities and Futures Commission, told a news conference that the change would be announced officially this weekend. Daily turnover has soared during recent weeks, occasionally rising above HK$6bn ($775m).

Mr Nottle noted that the number of transactions has totalled 50,000 or more a day recently, compared with about 20,000 usually. He said the change should not increase the risks of trading in Hong Kong.

UBF to spin off investment side

UNION Bank of Finland will spin off its investment banking operations as part of a plan to concentrate on commercial banking operations, AP-DJ reports from Stockholm.

Operations spanning mergers and acquisitions, equity finance, corporate finance and issue syndication will be transferred to a new company, Mandatum.

National & Provincial braves unsettled sterling sector

By Simon London

NATIONAL & Provincial Building Society yesterday braved an unsettled sterling bond market to raise £100m capital with an issue of long-dated, subordinated bonds.

The deal adds to recent heavy supply of subordinated debt from UK banks, other building societies and insurance companies. The biggest issue of all could be yet to come: if Hongkong and Shanghai Banking Corporation wins its bid for Midland Bank, up to £450m subordinated bonds will be issued to Midland shareholders.

The paper offered yesterday carries a 10¾ per cent coupon and has a maturity date in 2011. However, N&P is likely to call the bonds after 14 years.

If it does not exercise the call, the coupon will be re-set to pay 225 basis points over five-year sterling swap interest rate – a punitive level for the issuer given that its cost of capital is currently around 60 basis points over Libor on a swapped basis.

Investors were yesterday pricing the paper as if it had a 14-year maturity. The bonds were re-offered to investors at

INTERNATIONAL EQUITY ISSUES

a fixed rate of 155 basis points over long-dated government bonds. Hongkong Bank has said that it will issue 10-year paper at a yield spread 240 basis points over gilts.

Lead manager Samuel Montagu said that placement was restricted to UK institutional investors such as life insurance companies with long-dated liabilities.

The issue counts as Tier II or non-core capital for N&P, which has only one other subordinated debt issue outstanding, maturing in 1998. Under regulations set by the Building Societies Commission, the industry regulator, subordinated debt gradually ceases to count as capital five years prior to maturity. Hence, the N&Ps capital position will start to deteriorate from next year and yesterday's issue was made to offset this erosion of balance sheet strength.

Elsewhere, dollar and Canadian dollar sector continued to benefit from the weakness of European markets. Toyota Motor Credit, the US consumer finance arm of the Japanese car company, launched a $200m four-year deal.

Lead managed by Wood Gundy, the bonds were priced to yield 40 basis points more than Canadian government bonds, seen as fair by participants in the deal. Syndicate officials reported strong buying from European retail investors.

Having been re-offered to investors at a fixed price of 99.50, the paper traded up to 99.65 bid, where the yield spread over government bonds was 39 basis points.

The flow of Eurodollar floating rate note issues continued, with Crédit Lyonnais of France and Unibank of Denmark raising $250m and $100m respectively.

Both deals were lead managed by Merrill Lynch and offered unusually high margins over Libor. The Unibank paper pays a margin of 105 basis points, but is subordinated. The Crédit Lyonnais notes pay a margin of 37.5 basis points, but subject to an fixed cap.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Credit Lyonnais(c)‡†	250	(c)	100	1995	37.5/15bp	Merrill Lynch Intl.
Unibank A/S(d)‡†	100	(d)	100	2000	75/50bp	Merrill Lynch Intl.
Ceval Alimentos(e)†	80	10.5	97.87	1994	1.375/0.875	Citicorp Inv.Bk.
STERLING						
Nat.& Provincial(b)†	100	10.75	101.905	2011	2.5/2.125	Samuel Montagu
CANADIAN DOLLARS						
Toyota Motor Cred.Corp(a)†	200	8	100.90	1996	1.625/1.4	Wood Gundy
GUILDERS						
VSB Groep(a)†	150	8.5	99.90	1999	-/0.625	KBW Effectenbank

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Callable at par on 1.12.2006. If not called,the bonds will be reset to pay 225bp over five year Sterling Swap rate. Subordinated issue. c) Interest rate capped at 5.5pc for the first year, then 7pc for the second and 8pc for the third. Coupon pays 0.375pc over 6-month Libor and payable semi-annually. Non-callable. d) Coupon pays 105bp over 6-month Libor and is payable semi-annually. Callable at par on coupon dates from July 1997. If call not exercised, spread over Libor will rise too 250bp. e) Coupon payable semi-annually. Non-callable.

NZ sells off NZ$500m of home mortgages

THE New Zealand government yesterday announced the sale of NZ$500m (US$269m) worth of mortgages on state-owned homes, marking a significant withdrawal of government support for people on low incomes, writes Terry Hall in Wellington.

The government is selling a tranche of mortgages to Postbank, a subsidiary of the ANZ Bank, and the Mortgage Corporation of New Zealand. They are to buy some 20,000 mortgages between them, each paying NZ$250m.

The government said it was open to offers for the remaining mortgages held by the state-owned Housing Corporation. It said all that had been sold were prime rate mortgages charging market interest rates.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7.05 pm on June 4

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	105¾	106¼	-⅛	6.36	BAYERISCHE VEREINS INT 7 94 LFr	600	94¾	95¾		9.83
ALBERTA PROVINCE 9 3/8 95	600	108⅛	108⅝		6.52	COPENHAGEN TEL 8 5/8 96 LFr	600	98⅛	99⅛		9.14
[illegible]						[illegible]					

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
285	Nil	9/7	64pm	52pm	BICC	60pm	-1
[illegible]							

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]											

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	10	60	11
Other Fixed Interest	0	8	9
Commercial, Industrial	237	244	967
Financial & Property	59	162	577
Oil & Gas	19	7	60
Plantations	0	0	9
Mines	27	33	85
Others	33	43	54
Totals	385	557	1,772

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price £	+ or -
[illegible]							

TRADITIONAL OPTIONS

- First Dealings May 18
- Last Dealings June 5
- Last Declarations Aug. 20
- For settlement Sept. 1

Calls in Enterprise Computer, Greycoat, MTM, Proteus Intl., Ransomes, Smiths Inds., Tarmac and Wembley. Put in Alba. Puts and calls in Emess, Pelon and Racal Telecom.

3-month call rate indications are also shown on this page.

LIFFE EQUITY OPTIONS

Option		CALLS Jul	Oct	Jan	PUTS Jul	Oct	Jan
Alld Lyons	600	62	83	97	3½	12	17
[illegible]							

Option		CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
Eurotunnel (*364)	360	20	43	67	16	28	36
	390	7	25	44	33	46	54
Glaxo (*754)	750	26	60	82	20	44	59
	800	8	38	68	53	71	87
Hillsdown (*175)	160	15	21	27	2	4½	7
	180	4	10	16	8	12	17
[illegible]							

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Charter Cons.	37	Ladbroke	18	Sears	8½	■ OILS	
Allied-Lyons	49	Comm Union	34	Legal & Gen	29	SmKl Bchm A	55	Aviva Pet	25
Amstrad	6	Courtaulds	26	Lex Service	11	TI	25	BP	18
Ascc (BSR)	3	Eurotunnel	8	Lloyds Bank	32	TSB	11½	Burmah Castrol	48
BAT Inds	58	FKI	7	Lonrho	8	Tesco	22	Conroy Pet	8½
BOC	53	FNFC	1	Lucas Inds	12½	Thorn EMI	63	Gaelic Res	2
BTR	35	Forte	13	Marks Spencer	18	T & N	11½	Premier Cons	2¾
Barclays	29	GKN	29	Midland Bank	26	Unilever	90	Shell	35
Blue Circle	20	Gen Accident	28	NatWest Bank	26	Vickers	15	Tusker Res	8
Boots	34	GEC	9	P & O Dfd	37	Wellcome	75	■ MINES	
Bowater	60	Glaxo	60	Racal Elect	5½	■ PROPERTY		RTZ	47
Brit Aerospace	26	Grand Met	28	RHM	18	Brit Land	16		
Brit Telecom	25	Hanson	12	Rank Org	39	Land Sec	36		
Cadburys	38	ICI	58	Ratners	3	MEPC	29		
				Reed Intl	95	Mountleigh	1½		

High hopes for new heart drug but costs will depress profits in short term

Boots at bottom of expectations

By Maggie Urry

SHARES IN Boots, the pharmaceutical and retail group, dropped 24p to 466p yesterday as the group reported annual profits at the bottom end of expectations and told analysts the cost of bringing Manoplax, its new heart drug, to the market.

Pre-tax profits for the year to March 31, excluding profits on property sales, rose 7 per cent to £359.5m. Property sale profits added another £14.7m (£13.4m). Group sales were 2.5 per cent higher at £3.66bn.

Sir Christopher Benson, chairman, said the group was "extremely pleased" with the results. He said that economic recovery was slow but there were "some encouraging sales increases" which gave him some optimism for the year.

Sir James Blyth, chief executive, said that bringing Manoplax to the market would depress profits in the pharmaceutical division in the short term, although in the longer term the group had high hopes for the drug.

The company aims to spend an extra £15m-£20m in the current year on recruiting and training the sales force and will increase its R&D spending on the drug too.

Tony Andrews

Sir James Blyth: some encouraging sales increases seen

The pharmaceutical division increased profits by 5 per cent to £120.8m on turnover 11 per cent higher at £699.2m.

Much of the business is overseas, however, and before exchange rate effects profits were more than 13 per cent higher.

On the retail side, the Boots the Chemist chain increased trading profits by 7.6 per cent to £246.2m on sales 4.7 per cent higher at £2.47bn. This took the chain's net margins to 10 per cent, nearly double the level of five years ago. Return on capital employed in the chain is 57.1 per cent.

Boots' other retail formats, such as Halfords, Do It All and Childrens World, turned in a combined trading loss of £5.3m compared to a profit of £27.3m. Many of these businesses were acquired when Boots took over Ward White in 1989 for £900m.

Sir James said that these businesses were affected by the economic recession. Halfords, the car parts and bicycle retailer, lost £10.5m (profit £2.8m).

Sir James said its car servicing business lost more than that while the shops were profitable. The other main loss maker was Childrens World, losing £6.7m (loss £4.7m), which Sir James said had yet to reach critical mass.

The property division increased trading profits from £60.1m to £69.5m, including the profits on property sales.

Interest charges fell from £65.1m to £43.1m and central costs were down from £18.1m to £13.9m. Net borrowings were cut by £109.7m, of which £41.7m represented convertible bonds switched into shares, to £362.3m. This left gearing at the year end of 25.3 per cent (37.3 per cent).

Earnings per share rose to 26.4p (24.2p). An increase of 8 per cent to 8.1p in the final dividend 1p is proposed to give a total of 12.4p (11.6p).

See Lex

TI buys 10% as Dowty bid nears close

By Richard Gourlay

TI GROUP, the specialist engineer, yesterday paid 189p a share for 10 per cent of Dowty, the aerospace and information technology group that it is pursuing via a hostile £525.7m bid.

The shares purchase, made only four days before the offer closes, increases the chances that Dowty will lose its independence, particularly as brokers were able to buy the stake relatively quickly.

"We are extremely pleased with today's market operation, which underlines our confidence in the successful outcome of the bid," TI said.

Dowty dismissed the purchase, saying: "This 10 per cent we knew we were going to lose, but they have had to pay an incredibly high price."

TI paid about 14p above the 175p per share value of the cash alternative to the 4-for-15 share offer, currently worth 193p.

In its latest letter to shareholders, TI stressed that the key issue in the last days of the bid was which of the two companies' managements was best suited to set and execute the correct strategy for Dowty.

Mr Christopher Lewinton, TI chairman, also questioned Dowty's ability to turn the corner.

"I suspect that many shareholders had lost money on their Dowty shares before TI made its bid," he said. "Now they should ask themselves whether they believe Dowty's hollow promises or TI's solid record of creating shareholder value."

Dowty has consistently said that it is about to make a strong recovery after recession hit years and the mistake of moving into information technology.

Contrary to what TI might claim, significant costs had already been taken out of the business and shareholders, faced with a 7 per cent yield on their shares and the genuine prospect of recovery, should stay with the existing management, Dowty said.

Shares in TI added 7p yesterday to 364p and its target's price rose 6p to 182p.

Failure of Topic hits market commissions

By Terry Byland

A PROLONGED failure in the London Stock Exchange Topic news and information service caused a substantial loss of commission business for market firms yesterday. Many institutional investors ceased to deal because of the absence of reliable share price information.

The Topic system was unable to transmit for most of the session, due to a software problem. The Stock Exchange Automated Quotations network (Seaq) operated normally, but share price quotations were "indicative" and not binding on market makers.

The FT-SE 100 Index was partly indicative, and the FT-SE Eurotrack indices was wholly indicative at the close.

The problems fell mostly on investment clients, including unit trusts, merchant banks, and pension funds. In the absence of screen quotations, fund managers had to choose between dealing "blind" at the share prices quoted by market-makers over the telephone, or to withdraw temporarily from the market.

"For them, it was rather like stepping up to the crease at baseball with a sack over your head and trying to hit the ball," commented Mr Nigel Little of Panmure Gordon, the UK brokerage house. Most managers soon decided to quit the field.

Most of the large securities firms, including the market makers, were able to take market information on digital feeds from the Stock Exchange which were unaffected. This information is then fed into the firms' own in-house computer networks, giving traders access to most of the normal market information and data.

The loss in client business will not be known until this morning.

Yesterday's Seaq volume total of 505.9m shares compared fairly well with Wednesday's 473.6m. But the Seaq total takes in trade from both clients and market makers. Market maker business was high yesterday as the London-based houses arbitraged between stock index futures and the underlying stocks.

Wellcome prospectus stresses core pharmaceutical business

By Paul Abrahams

THE "pink herring" prospectus published yesterday by Wellcome stressed how senior management have concentrated on core pharmaceutical operations in recent years. Businesses involved in animal healthcare, industrial hygiene, human vaccines and environmental health have all been sold during the last two years.

The company emphasised the importance of its over-the-counter (OTC) operations, adding that the long-term growth of that business was one of the group's strategic aims. The company was "actively exploring the possibility of substantial OTC joint venture arrangements." It wanted to sell its existing products in new markets, particularly on the continent.

The prospectus also set out how the company had adopted a more marketing-led approach to research and development. It wasincreasingly focusing on drugs which "enhance the competitive standing of the company as well as promoting human health and quality of life." In addition, the marketing department now had far closer ties with the research departments. The aim is to ensure rapid and successful product launches.

The more commercial approach in sales and marketing was also highlighted in the document, as was the increased emphasis on financial returns. The company particularly mentioned it wanted to improve margins through cost-savings.

The prospectus warned, however, of the increasingly difficult environment for pharmaceuticals companies, particularly in the area of pricing. It pointed out that France, Italy and Spain were all considering new pricing and reimbursement bills. Meanwhile, in the US, the company spent $11m (£6m) last year on rebates for Medicaid, the federally-funded healthcare programme. It warned that such rebates would increase significantly in future years.

Incentives for UK investors

By Maggie Urry

BRITISH RETAIL investors are being offered some favours in the Wellcome share sale, although nothing like those now usual in privatisations.

They will have to pay the same price as large investors, buy at least £1,000 worth and pay in one instalment.

Shareholders on the Wellcome register on June 15 and with addresses in the UK will be sent blue forms giving them priority if they apply for up to £5,000 worth of shares. They can also buy shares in the general offer.

Otherwise, UK investors can apply either on application forms or through retail selling agents. A number of shares will be reserved for the UK market, with a limit of £100,000 per applicant. Shareholders can apply through a personal equity plan or transfer shares bought in the offer to a Pep, to take advantage of the tax concessions of Peps.

A share information office opened yesterday. The telephone number is 081 944 1242.

600 Group holds dividend as losses are reduced to £534,000

By Angus Foster

SHARES IN 600 Group yesterday jumped 9p to 53p as the machine tool and mechanical handling company proposed holding its dividend and said it was broadly optimistic about the outlook.

The company reported an 18 per cent reduction in pre-tax losses, from £650,000 to £534,000, in the year to end-March.

Mr Colin Gaskell, group managing director, said margins were maintained and costs cut during the period. "We expect to achieve an improved outcome even at current depressed levels of trading," he said.

But he warned that business conditions remained difficult to predict and were likely to stay depressed for "six to nine months".

Turnover fell 30 per cent from £140.8m to £98.5m. The company said UK orders for machine tools were 50 per cent below normal levels, and export markets were also difficult.

The fall in orders led to an operating loss of £1.74m (profit £4.1m). Interest costs improved to £2.1m (£3.3m) reflecting falling interest rates and cost cutting.

The company was helped by exceptional profits of £3.3m, against costs last time of £1.5m. This represented the balance between exceptional surpluses of £9.4m from property sales and reorganisation costs of £6.05m stemming from combining two lathe companies to one site.

Losses per share were 3.2p (3.3p). A proposed final dividend of 1.5p (1p) makes an unchanged total of 2.5p. Transfers from reserves totalled £3.08m (£4.58m).

Cost savings of £13m were made during the year, compared to a predicted saving of £6m. Stocks fell by £6m while debtors fell in line with sales, the company said. This, combined with proceeds from property disposals, helped bring gearing down from 36 per cent to 12 per cent at the year end.

The full year figures also suggested a slight improvement from the interim stage, when the company suffered a loss before tax of £2.32m on sales of £50.6m, compared to profits of £1.66m on turnover of £72m.

Richmond reveals loss of £37m project

By Neil Buckley

RICHMOND Oil and Gas, the US natural resources group which is quoted in London, insisted yesterday that it was still solvent despite losing its most significant development, resulting in a substantial reduction in its balance sheet.

The group announced that lenders Johnson Ranch Partners had foreclosed on the company's interest in the Richmond Ranch oil and gas field in Texas.

This will mean a net reduction in group assets of about £37m. At March 31 1991, the date of the latest available audited balance sheet, Richmond had net assets of £49.7m.

The shares lost 3p to close at 8p yesterday, compared with a high of 173p in 1990.

Mr David Wilkinson, joint managing director, said the directors believed that the value of Richmond's interest inRichmond Ranch had fallen below the amount of indebtedness against which it was secured. It was therefore "very unlikely" to take up an exclusive option granted by Johnson Ranch Partners to re-purchase Richmond Ranch within 15 days, if refinancing could be arranged.

Richmond acquired the Richmond Ranch field for $33m (£18.3m) cash and assumed $51m debt in October 1989, when it was hailed as the company's most significant asset. However, the combination of a virtual halving in the US gas price, which drastically affected returns, and cost overruns at the drilling stage meant that the project never fulfilled its promise.

Mr Wilkinson pointed out that the group now had no borrowings and outlined four factors which he believed could reverse the group's fortunes:

- Firstly, it is selling the Lone Star Royalty Corporation, acquired in 1990, for $750,000.
- A lawsuit which prevented completion of the sale ofRichmond's San Juan Basin Coal Bed Methane properties in September 1991 has also been settled. Richmond, which had received only $12.6m of an expected $30m before the lawsuit was served, is now holding discussions with potential purchasers of the balance of the New Mexico and Colorado properties.
- Most significantly, Richmond is negotiating with joint venture partner American Hunter Exploration to increase its 25 per cent interest in the Jicarilla Apache Tribal Lands field in New Mexico to 40 per cent. The agreement would cover two producing wells, and a proposed five-fold increase in the acreage.
- The company also revealed yesterday that it is awaitingregistration of an agreement to form a Russian joint venture with Krasnoleninsk Oil and Gas in western Siberia.

NEWS DIGEST

Brit Syphon lower at £5.91m

BRITISH SYPHON Industries, the engineering and polymer processing group, reported profits of £5.91m pre-tax for the 1991 year.

The outcome, achieved on turnover of £46.1m, compared with £8.26m for the previous 16 month period when turnover totalled £64.9m.

Earnings per share worked through at 11.9p (21.2p). A final dividend of 3p is proposed.

United Biscuits in Spanish joint venture

United Biscuits is setting up a sales company to distribute its McVitie's, Carr's and Ortiz products in Spain.

The company will be jointly owned with Royal Brands, a Spanish food group, and will also handle that company's brands. It will start operating in January next year.

McVitie's is the largest UK biscuit maker and the second largest in Europe with sales of £787m in 1991. Royal Brands is owned by Tabacalera, the leading Spanish tobacco group, and is the market leader in the Spanish biscuit market.

Greycoat makes £19.1m sale

Greycoat, the property company specialising in central London offices, has sold a building in the City of London to Scottish Amicable Life Assurance for £19.1m.

The 46,000 sq ft office building, St Clement's House in Clement's Lane, is let to Standard Chartered Bank.

There is a provision for a further payment to Greycoat in June 1995, dependent on the value of the building at that time.

Recovery under way at Rowlinson

Rowlinson Securities, the Cheshire-based property group, returned to the growth track in the 12 months to March 31.

Pre-tax profits, struck after an exceptional £978,000 (£341,000) for development write-downs, amounted to £631,000. This compared with just £93,000 in the previous year, but fell well short of the £2.81m achieved in the year to end-March 1990.

The rent roll improved to £3.2m (£2.82m) by the year-end and was now £3.3m he added. Interest charges dipped from £2.26m to £1.84m.

Turnover amounted to £8.41m (£6.65m). Earnings per share improved to 5.44p (1.58p). The final dividend is maintained at 1.11p for an unchanged total of 1.35p.

Squeeze on margins restricts Dart rise

Dart Group, the Dorset-based aviation services and forwarding and distribution company, achieved a modest increase in profits for the 12 months to end-March.

After almost doubled interest charges of £256,000 (£133,000), pre-tax profits amounted to £1.88m, up from £1.8m last time.

Mr Philip Meeson, chairman, said the small growth reflected pressure on margins throughout the group's activities, especially in the second six months. Progress in the current year would be "steady rather than spectacular".

Turnover improved 15 per cent to £37.4m (£32.4m). A proposed increased final dividend of 2p, makes a total of 3.3p (3p), payable from earnings of 9.4p (9.7p) per share.

Reduced deficit at URS Intl

URS International, the US professional services group quoted in London, incurred a reduced deficit of $1.09m (£600,000) for the 1991 year.

The outcome compared with a restated loss of $2.42m in 1990, and came from turnover of $206,000 ($1.79m). Losses per share halved to 4 cents.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Anglian Water	fin	13	Oct 1	11.7	19.3	17.5
Boots	fin	8.1	Aug 21	7.5	12.4	11.6
British Syphon	fin	3	Sept 1	nil	3	nil
Dart	fin	2	Aug 19	1.8	3.3†	3
East Lancs Paper	fin	2.16	-	13.63	2.16	13.63
IWP Intl	fin	3.85♣	Sept 16	3.5	6.6	6
Marshall's Univ	fin	6.77	-	17.22	6.77	17.22
Norcros	fin	3.5	Aug 10	3.5	7	7
Rowlinson Secs	fin	1.11	July 31	1.11	1.35	1.35
600 Group	fin	1.5	July 27	1	2.5	2.5

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ♣Irish pence.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Carr's Milling Industries.

Finals- Dowty, EFM Income Trust, Mid Southern Water, Property Partnerships, Somic, Wintrust

FUTURE DATES

Interims-

Caldwell Investments	June 18
Crest Nicholson	July 2
GWR	June 8
Treatt	June 15

Finals-

British Land	June 11
Bulmer (HP)	June 16
Cable & Wireless	June 17
Camborne Industries	June 15
Cohen (A)	June 12
Oriflame	June 10
Shanks & McEwan	June 18
Vistec	June 12

Anglian Water raises dividend by 10%

By Angus Foster

ANGLIAN WATER, regarded as one of the most cautious of the 10 privatised water companies, yesterday adopted a more aggressive dividend policy with a proposed 10 per cent increase in dividends for the year to March 31.

The company is recommending a final of 13p to make a total of 19.3p (17.5p). The rise gives real growth of 5.3 per cent making Anglian the first of the water companies to depart significantly from the assumption of 4 per cent real growth agreed during the 1989 privatisation. Earnings per share grew 13 per cent to 51.7p (45.9p).

The shares gained 8p to 437p as the stock enjoyed a partial re-rating.

Mr Bernard Henderson, chairman, said the increase was a reward for shareholders and followed improvements in customer service.

But the decision may prompt another reprimand from the Office of Water Services, the water regulator, which last year warned that dividend increases should not be higher than for the stock market generally. This view was rejected by the water companies.

Pre-tax profits increased 12 per cent from £152.6m to £171.3m. "It's been a good year and we're in excellent shape," Mr Henderson said.

Turnover advanced by 14 per cent to £523.1m (£460.6m), mainly due to price increases of 15.2 per cent. However, the rise was constrained by recession among industrial customers. Increases this year will be lower at 9.4 per cent, but Anglian's prices remain among the highest in the country.

Operating expenses increased 12 per cent to £241.4m, mainly due to inflation and increased standards. Depreciation was 18 per cent higher at £45.6m (£38.8m), reflecting the increased capital expenditure programme to improve sewerage, water quality and beach quality.

Capital expenditure and infrastructural renewals rose 29 per cent to £294.9m. Mr Chris Mellor, finance director, said spending would rise another £50m to £345m this year.

Net borrowings, which rose from £194.7m to £303.8m during the year, will increase again and gearing is set to rise from 18 per cent at the year end to 23 per cent, he said.

At the interim stage Anglian reported pre-tax profits of £91.9m on sales of £261m.

See Lex

Bernard Henderson: rewarding shareholders

Price rises 10p to 467p as 18m shares traded, three times the normal volume

'Tactical error' by Lloyds as arbitrageurs gather

By Norma Cohen, Investments Correspondent

INSTITUTIONAL shareholders in Midland Bank believe Lloyds Bank may have made a tactical error in its effort to acquire its smaller rival by not immediately announcing a new, higher bid to cap that offered Tuesday by Hongkong and Shanghai Bank.

The Lloyds' board is meeting today and is expected to improve on its existing £3.9bn proposed offer, announcing enriched terms which will become a formal bid if its approach is been cleared by the Monopolies and Mergers Commission in August.

The enhanced bid from HSBC has encouraged arbitrageurs to buy Midland shares. Because arbitrageurs buy shares for short-term profits, not long-term gains, they are expected to tender the shares to HSBC and could tip the scales in favour of the Hong Kong-based bank.

THE BATTLE FOR MIDLAND

Midland's shares yesterday closed 10p higher at 467p, with 18m shares traded – roughly three times the normal volume. Market sources also said that HSBC had apparently been buying shares in recent days and may have accounted for as much as a third of yesterday's activity. HSBC's stake in Midland stood at 15.9 per cent yesterday morning.

HSBC's new bid offers speculative investors the opportunity to buy shares with a guarantee that they will be purchased later at a higher price.

The new offer values each Midland share at about 480p. When it was first announced on Tuesday, Midland was trading at 452p.

Shareholders said the mechanical difficulties of conducting a classic arbitrage between HSBC and Midland shares had dampened activity until now. A classic arbitrage would have encouraged shareholders to sell HSBC shares short while buying Midland at a lower price. Eventually, the shares would be transferable to HSBC at a higher price.

However, UK institutions generally report difficulties with selling foreign stocks short and on the Hong Kong Stock Exchange, shares may not be sold short. If they are sold short in London, settlement periods are far longer than those in Hong Kong where shares must be paid for two days after the transaction. By comparison, Midland shares bought in London on Thursday do not have to be paid for until the end of the current account period on June 22.

Shareholders said that much of the arbitrage activity in HSBC and Midland shares was occurring in New York markets where it is possible to sell short the American Depositary Shares of HSBC. With settlement periods for a short sale of HSBC and a purchase of Midland shares coinciding, the transaction becomes easier to complete.

See Lex

Fed grants Hongkong Bank application

By Jurek Martin in Washington

THE US Federal Reserve has rejected an attempt by Lloyds Bank to use the US banking laws to block Hongkong and Shanghai Banking Corporation's bid for Midland Bank.

The central bank has granted HSBC's request for temporary authority, under the 1956 US Bank Holding Company Act, to acquire Midland, and thereby engage indirectly in non-bank activities in the US. Lloyds had made submissions opposing the request.

In its judgment, the Fed said that "the information presented by Lloyds does not compel denial of the application". While reserving the right to review the situation, it added that Lloyds could file an application in pursuit of its counter-bid for Midland on the same basis as HSBC, the presumption being that it would also be granted.

"The board has determined," the Fed said, "that HSBC would not derive any material competitive advantage over US bank holding companies as a result of this acquisition." Nor had HSBC engaged in any "impermissible conduct" in the US.

It said that the transaction would occur "substantially outside the US and is proposed predominantly for reasons unrelated to the US". Midland, it said, had only 3 per cent of its global assets in the US.

Noting that UK authorities had not objected to the HSBC bid, "the board believes that it is in the public interest to limit the effects of US regulation on an essentially foreign transaction, provided, as in this case, that the exemption does not grant substantial competitive advantage to the foreign organisation or have other adverse effects in the US".

OFT to probe card protection deal

The sale of Cardwise, a small credit card protection company formerly owned by the Access banks, is to be probed by the Office of Fair Trading.

The prospective buyer is believed to be Credit Card Sentinel, the largest player in the UK card protection market.

Cardwise is owned by First Data Resources, the credit card processing arm of American Express. Sentinel is the European offshoot of Datacard Corporation of Minneapolis.

Quiligotti sells US arm and calls for £3.2m

By Jane Fuller

QUILIGOTTI, the USM-quoted maker and installer of terrazzo floors, is selling its loss-making US subsidiary and raising £3.2m in a rights issue.

The new management, which bought into the company last September, also warned that it had lost about £1.8m pre-tax in the year to March 31, compared with a £910,000 profit in 1990/91. There would be no final dividend. The interim was also passed.

Mr Roy Jenkins, chief executive, said: "People worried about Quiligotti for two reasons – America and high debt – and those two reasons have gone away."

The US business, which incurred a trading loss of about £1.5m last year, is being sold for $580,000 (£333,000) to JWB Capital Group, of Texas. A near £3m write-off on the disposal will be treated as an extraordinary item.

Mr Jenkins said that although the UK business made a trading profit of about £700,000, the 1991-92 pre-tax loss had been pushed up to £1.8m by more than £500,000 of provisions for old contracts, plus rationalisation costs and interest payments.

The 3-for-2 rights issue at 8p a share would raise £3.2m and reduce net debt of £4.5m. Gearing would come down from more than 100 per cent to less than 50 per cent.

The group, which supplies flooring for supermarkets, airports and stations, was developing new ceramic, marble and granite-based products to try to increase its share of hard flooring markets.

Tiles cost-cutting helps lift Norcros to £15.6m

By Jane Fuller

THE BENEFITS of cost cutting in its ceramic tile factories helped to offset a sharp deterioration in windows and doors at Norcros last year.

Pre-tax profit rose 4 per cent to £15.6m (£15m) on reduced turnover of £394m (£425m) in the 12 months to March 31. A decline of 7 per cent in operating profit to £24.3m (£26.2m) was outweighed by reductions in exceptional charges and interest costs.

The better-than-feared results and hopes of further progress helped the share price gain 17p to close at 148p. A maintained final dividend of 3.5p leaves the total unchanged at 7p, just covered by earnings per share of 7.5p (7p).

Mr Michael Doherty, chief executive, said: "We have completed our restructuring and now we are going to start growing." Operating profit per employee had risen by 11 per cent.

In ceramics, including Johnson tiles in Stoke-on-Trent where 1,500 jobs have been shed, operating profit rebounded by 74 per cent to £11.4m (£6.53m) on sales of £121m (£118m). Apart from a 30 per cent profit improvement in the UK, there were turnrounds in Australia and South Africa.

Profits also advanced in print and packaging, where the group is involved in niches such as films and tickets. The division made £12m (£10.4m) on sales of £98.6m (£97.2m).

But building products profit fell by nearly £10m to £3.56m on sales of £156m (£184m).

Mr Robert Alcock, finance director, said the big disappointments were Crosby Sarek, the windows and doors maker, which incurred a "significant" loss, and Crittall Windows, which fell into the red. These had wiped out good performances from Triton showers and Crosby kitchens.

Gearing remained high at 91 per cent on net debt of about £128m (£147m). More than £17m had come in from property sales, with a further £22.5m since the year-end. Mr Alcock said a £60m portfolio remained – most of it should be sold this year.

Meanwhile the activity has been shoved below the line, making it the main contributor to a £4.69m extraordinary charge.

● COMMENT

A big sigh of relief was heaved yesterday at evidence that the expensive years of closing factories, shedding workers and capital spending were over and that some benefits were at last coming through. However, the slide in building products showed that cutting costs is not a panacea. Crosby Sarek still needs a 10 per cent volume increase to break even. With further benefits to come from cost-cutting and lower interest payments, even a small pick-up in demand should send this year's pre-tax profit to between £20m and £25m. In spite of yesterday's rally, the prospective p/e of roughly 15 is lower than many recovery stocks in the building materials sector, and the print and packaging wing is no detraction. But excitement about recovery prospects should be tempered by the property portfolio and the related high gearing; and by some caution about the outlook for house building and, even more so, for commercial building. Supported by a 6.3 per cent yield, the price should have a bit more room for improvement.

Country Casuals seeks SE listing

By Richard Gourlay

COUNTRY CASUALS Holdings, a women's clothing manufacturer, yesterday joined the growing number of companies seeking a quotation on the Stock Exchange.

The company, a 1989 management buy-in to the clothing chain previously owned by Coats Viyella, is hoping to raise about £11m through a placement on June 17 giving it a market capitalisation of between £20-£25m.

In the year to January 25, it made pre-tax profits of £2.01m, more than double the previous year, on sales up 15 per cent at £36m (£31.3m).

Mr John Shannon, chairman and one of the three managers who paid £12.5m for the business, said the brand had been revived despite the recession. This had been achieved via a strategy based on changes to the design philosophy, the planning and production of the clothing range, the imposition of tight management controls and employee motivation.

Continued progress would come via increased market share by raising the number of outlets from the current 155 and through a new casual wear line aimed at a broader market.

Country Casuals has already paid off most of the senior debt it borrowed from the Bank of Scotland and is now broadly cash neutral. About £2.7m of preference shares need to be redeemed.

Management put in £150,000 of the £2.85m capital, with the balance provided by Invesco MIM, County NatWest Ventures and 3i, the venture capital group owned by the high street banks.

After the flotation the buy-in team will have 30 per cent of the company.

Morgan Grenfell is sponsoring the placement and the brokers are County NatWest.

Mr Shannon said he would be interested in acquiring another retail brand and applying the same strategy as that which had turned Country Casuals around.

Morland spurns £101m Greene King offer

By Philip Rawstorne

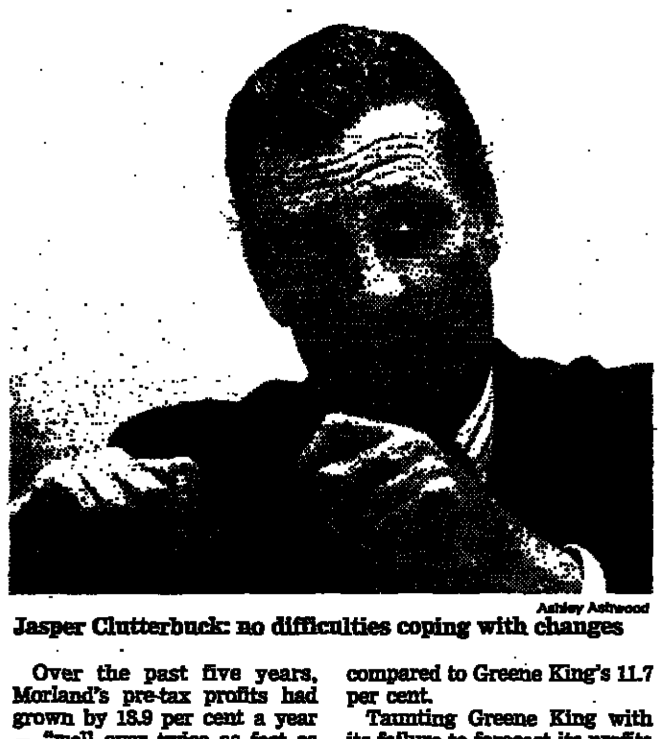
MORLAND, the Thames Valley regional brewer, yesterday flatly rejected the £101m takeover bid from Greene King, the East Anglia-based brewer, as "an opportunistic attempt ... to acquire Morland on the cheap."

Sir Humphrey Prideaux, Morland's chairman, urged shareholders not to be pressured into accepting Greene King's paper offer of 477p a share or the cash alternative of 450p. "We have no doubt that the bid undervalues your company," he said.

Sir Humphrey accused Greene King of trying to take advantage of Whitbread Investment Company's enforced disposal of its 43.4 per cent shareholding to comply with the government's beer orders.

WIC had sold Greene King a 28.5 per cent holding and pledged its 14.9 per cent balance – but price had been "a secondary consideration," Sir *Humphrey said, and other* shareholders had no reason to sell on the same terms.

Greene King's offer document *had attempted to mislead* shareholders on Morland's performance and prospects, he charged. "In fact, we have an *excellent financial record and a* sound and proven strategy."



Ashley Ashwood

Jasper Clutterbuck: no difficulties coping with changes

Over the past five years, Morland's pre-tax profits had grown by 18.9 per cent a year – *"well over twice as fast as* Greene King."

Earnings per share had grown at a compound rate *of 17 per cent a year* – "the best record of all the major regional brewers and pub operators."

Dividends per share had grown at 16.6 per cent a year compared to Greene King's 11.7 per cent.

Taunting Greene King with *its failure to forecast its profits* for the year to May 3, Sir Humphrey asked: "Does it have something to hide? Are its *profits up to market expecta*tions?

Mr Simon Redman, Greene King's chairman, said *last night: "We have nothing to* hide. We have issued a full *statement about current trad*ing and a final dividend forecast."

Morland had not attempted to deny the commercial logic of acquisition by Greene King, he said. Morland's profit record was no guide to its future in a beer industry that was changing fundamentally.

Suggestions that Morland had strategic difficulties in coping with changes in the industry were dismissed as "nonsense" by Mr Jasper Clutterbuck, chief executive.

Morland's brewery made a significant contribution to group profits and was producing ale more cheaply than it could be bought on the open market, he claimed. Distribution deals with national brewers had opened new markets for its ales; free trade sales had increased 54 per cent in the past two years.

Greene King *had admitted* that Morland had "a good quality" pub estate, and talks on further acquisitions were being held, Mr Clutterbuck said.

With gearing of only 8.1 per cent – compared to Greene King's 42 per cent – and cash *deposits of more than £9m*, Morland was well-positioned to take advantage of opportunities arising from the industry *upheavals caused by the beer* orders.

Placing values Vega at £17.2m

By Daniel Green

ONE OF the smallest stock market flotations of the year was completed successfully yesterday with a placing of shares in Vega Group, a space industry consultancy.

A history of strong growth allowed the shares to be placed at 122p, a p/e ratio of 18.35 on notional earnings per share for the year to March 31 1992 of 6.65p.

Turnover increased from £1.9m to £6.3m between 1988 and 1992, with pre-tax profits rising from £286,000 to £1.4m over the same period.

At the placing price the company will have a market capitalisation of £17.2m with an estimated gross dividend yield of 2.5 per cent.

Dealings in the shares are due to begin on June 11.

The sponsor, Beeson Gregory, placed 4.37m shares – 31 per cent – with institutional and private investors to raise £5.33m for existing shareholders. No new money goes to the company which said the placing was more than three times oversubscribed.

Directors said that a public quotation would help the company secure new orders and would improve staff incentives.

Directors will keep 42.8 per cent of the share capital and have undertaken not to sell any shares until after the publication of the 1993 results.

More than half the employees will hold a further 6.3 per cent.

The company was started in 1978, with Mr John Rigg, chairman, and Mr Chris Duckworth, finance director, joining in 1989.

It is organised into four divisions: operations engineering, software, systems engineering and dynamics and control. There are 122 staff, of which 107 are technical. Their work is in software and systems for ground services and in-orbit operations.

Its biggest customer is the European Space Agency, which has a budget of £2bn a year to build and launch non-defence satellites.

Contracts usually last for the life of a satellite, about 10 years. The company has an order book of "over £16.7m".

Vega has just secured a £1m Ministry of Defence contract in the area of battlefield command and control and said there could be further expansion outside the space industry.

Marston deal with Courage

MARSTON, Thompson & Evershed, the Burton-on-Trent-based brewer, yesterday announced a reciprocal beer distribution agreement with Courage, its fifth such alliance in the past month, *writes Philip Rawstorne.*

From mid-July, Marston will add a range of Courage lagers and Beamish Irish stout to its range. It will also distribute the leading Courage ale, John Smith's Bitter, in the Midlands and north-west. Courage will add Pedigree premium caskconditioned ale and Low C, the lower calorie bottled beer, to its portfolio.

Marston, in which the Whitbread Investment Company has yet to reduce its 31.4 per cent shareholding to comply with the government beer orders, has already signed similar deals with Wolverhampton & Dudley, Scottish & Newcastle, Allied, and Bass.

Whitbread pub lease to Brent Walker

Whitbread, the brewing and retailing group, is to lease 174 pubs, free of tied beer supplies, to Brent Walker's Pubmaster estate, *writes Philip Rawstorne.*

The deal increases the Pubmaster estate to nearly 2,000 pubs and leaves Whitbread with only another 550 pubs to free from the tie in the next five months to comply with the government's beer orders.

Whitbread has sold more than 1,000 pubs and leased a further 800 in the past three years. The pubs leased to Pubmaster are mainly in north-west England, Gloucestershire, and Kent.

IWP rises 19% to I£11m and seeks acquisition

By Tim Coone in Dublin

IWP International, the Irish industrial holding company, reported pre-tax profits ahead 19 per cent, from I£9.2m to I£11m (£10m), for the year to March 31. Turnover rose *3.6* per cent to I£92.6m.

The company was originally a wire and fastenings manufacturer, but following reorganisation in 1987 and a rapid series of acquisitions, diversified into printing and packaging, telecommunications and household product manufacture which included firelighters, air fresheners and disinfectants.

A new management team brought in 1990 put a halt to the acquisition programme in order to consolidate the company and get its financial structure under control.

Mr Joe Moran, chairman and chief executive, said the outcome was a result of that reorganisation, which has brought gearing down from 129.6 per cent two years ago to the current 36.5 per cent and seen I£6.5m invested in manufactur*ing plants over the same* period.

He said that in consequence the group's product lines have dropped in price over the past year, but margins and turnover have increased.

The group was now ready to make a substantial new acquisition "either in household products or in printing and packaging" which he said would be a "strategic add-on business".

Earnings per share rose 16 per cent to 28.1p (24.3p) and a recommended final dividend of 3.85p makes an increased total of 6.6p (6p).

CONTRACTS & TENDERS

LEGAL NOTICES

Notice of Creditors Meeting under Section 48(2) of the Insolvency Act 1986. Registered No. 2036067. Registered in England and Wales
COMPEX BUSINESS SYSTEMS LIMITED
(IN RECEIVERSHIP)
NOTICE IS HEREBY GIVEN, pursuant to *Section 48(2) of the Insolvency Act 1986*, that a meeting of the unsecured creditors of the above named company will be held at Cork Gully, 9 Greyfriars Road, Reading, Berkshire, RG1 1JG at 10.00 am on Friday, 19 June 1992 for the purpose of having laid before it a copy of the report prepared by the Administrative Receivers under Section 48 of the said Act. The meeting may if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.
Signed J M Iredale.
Joint Administrative Receiver.
Dated 28 May 1992.

Notice of appointment of Joint Administrative Receivers. Registered number: 2073070
CASMU CONTRACTS LIMITED
Nature of business: Employment Agency and Engineering Contractor. Trade classification: 07. Date of appointment of joint administrative receivers: 28 May 1992. Name of person appointing the joint *administrative receivers:* National Westminster Bank Plc. Nicholas Roger Bromfield Godden and Robin Michael Addy, Joint Administrative Receivers (Office holder nos 2403 and 1031), Cork Gully, Midsummer Boulevard, Central Business Exchange, Central Milton Keynes. MK9 2DF

Notice of Creditors Meeting
BRANICO ALLOYS LIMITED
NOTICE IS HEREBY GIVEN, pursuant to *Section 98 of the Insolvency Act 1986*, that a meeting of the creditors of the above-named company will be held at Orchard House, 10 Albion Place, Maidstone, Kent ME14 5DZ on 25 June 1992 at 12.00 pm for the purposes mentioned in Sections 99 to 101 of the said Act. A list of the names and addresses of the company's creditors may be inspected free of charge at Orchard House, 10 Albion Place, Maidstone, Kent, ME14 5DZ between 10.00 am and 3.00 pm on 23 June 1992.
Dated this 29th day of May 1992.
By Order of the Board
Signed Davis Walter Castle.

The Insolvency Act 1986. In the Brighton County Court, In Bankruptcy No. 283 of 1992
RE: ROBERT EDWARD SHAW
I, Nigel John Halls of Cork Gully, Lennox House, Spa Road, Gloucester GL1 1XD HEREBY GIVE NOTICE that I have been appointed and certificated by the Department of Trade as Trustee in the above matter. All persons having in their possession any of the effects of the Estate must deliver them to me and all debts due to the estate must be paid to me. Creditors who have not proved their debts must forward their Proof of Debt to me.
N J Halls
Trustee.

ACTEL COMPUTERS LIMITED
NOTICE IS HEREBY GIVEN, pursuant to *Section 98 of the Insolvency Act 1986*, that a meeting of the creditors of the above-named company will be held at Cork Gully, Oriel House, 55 Sheep Street, Northampton on 18 *June 1992* at 11.00 am, for the purposes mentioned in Sections 99 to 101 *of the said Act*. A list of the names and addresses of the company's creditors may be inspected free of charge at Cork Gully, Oriel House, 55 Sheep *Street, Northampton* on *16 June 1992* & 17 June 1992 between 10.00 am and 5.00 pm. Proxies must be lodged at Oriel House, 55 Sheep Street Northampton no later than 12 noon on 17 June 1992.
Dated 29th of May 1992.
By Order of the Board
Signed D Holland, Director

Certificate of Registration
of Order of Court and Minute
on
Reduction of Share Capital
and Cancellation of Share Premium Account
whereas
LEISURETIME INNS PLC
having by Special Resolution reduced its capital and cancelled its share premium account as confirmed by an Order of the High Court of Justice, Chancery Division.
Dated the 18th May 1992
Now therefore I hereby certify that the said Order and a Minute approved by the Court were registered pursuant to section 138 of the Companies Act 1985 on the 28th May 1992
Given under my hand at Cardiff the 29th May 1992. No. 1998709.
J S Ross, Authorised Officer

No. 004923 of 1992
In the High court of Justice
Chancery Division
In the matter of
PHARMA-PLAST HOLDINGS LIMITED
and in the Matter of the Companies Act 1985
NOTICE IS HEREBY GIVEN that a Petition was on 14th May 1992 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above-named Company from £6,286,000 to £2,090,000.
AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr. Justice Millett at the Royal Courts of Justice, Strand, London, WC2A 2LL on Monday June 15th, 1992.
ANY Creditor or Shareholder of the said company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by counsel for that purpose.
A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.
DATED this 5th day of June 1992.
Holman, Fenwick & Willan, Marlow House, Lloyds Avenue, London EC3N 3AL.
Ref: SJW/JEL/562
Solicitors for the above-named company

RECRUITMENT

JOBS: With ever more managers chasing ever fewer openings, success may depend on guerrilla tactics

How to get round the secretary barrier

"HOW do you speak to an angel?" That song-title will mean nothing to any but a few fellow-wrinklies among the readership. It was high on the hit-parade (then called the Top Twenty) four decades ago, and the *stripling* Jobs column used to hum it wistfully while pining for the icy Joyce Miller.

Alas for romance! Time soon showed that, where real life is concerned, the question asked by the song is less important than another – to wit: How do you get past a top executive's secretary?

It can still be a conundrum even now, when my request to speak to the chief is backed by the FT's title. In smaller outfits particularly, the secretarial keepers of managerial gates seem programmed to react to the name of any publication with: "We're not interested in advertising".

The more sophisticated, while less direct, are rarely much warmer. They typically respond by professing scarcely credible ignorance *as to whether* their bosses are in, before adding: "What's it about, please?" And that applies not only to supreme chieftains, but if anything the more so to *heads of subsidiary* departments such as personnel.

If secretarial gatekeepers are a knotty problem to the likes of me, they must seem an insuperable one to a sadly still growing number of other people. They are executives who've lost their jobs, often through no fault of their own, in a day when many if not most organisations are whittling down their numbers of managers.

At the best of times, official *recruiting* processes are apt to be more defensive than welcoming. For instance, research by Britain's Institute of Manpower Studies in the buoyant late-1980s showed that the prime concern of most recruiters is not to seek out the right person for a job, but to *avoid* hiring the *wrong* one. Now, with more and more managers pursuing a dwindling demand for same, the official defences must be harder to penetrate than ever.

So however much job-seekers may have to offer a company, their only decent chance of being seriously considered is to bend the ear of someone with personal power to make a hiring decision. Which gives unprecedented force to the question of how to get past top managers' secretaries and, in particular, how to circumvent the road-blocking "What's it about?"

An appealing dodge that I've heard recommended, and by an ex-gatekeeper at that, is to reply: "If he wants you to know, I'm sure he'll tell you."

But whatever relief such a put-down may give to the caller's bruised ego, there is at least one authority who thinks the tactic will usually have the opposite of the desired effect. He is David Werner, a marketing consultant, working from New York. As head of David Werner International he advises executives not only how to package ideas and products on behalf of their companies, but also on how to present themselves to prospective employers.

In his view, the recommended tactic is based on a common misconception about top-level secretaries. Their bosses may speak of them as guardian angels. But the fact is that they have typically been hardened in the fire. They wouldn't be where they are if they hadn't become used to such attempted put-downs, and learned to counter them with stinging efficiency.

Hence the best strategy, he says, is not confrontation but the devious type. Even so, it is of course imperative to have done your homework on the target company and executive, and the idea you're proposing, as well as ensuring that every checkable fact you voice is true.

As a case study, let's suppose that you have lost your job after a period in Germany and your idea is to extend the company's representation there. When the secretary asks: "What's it about?", a useful beginning is to signal there's a risk of confusion by saying something like: "It's a touch complicated, I'm afraid."

Then, even though the target executive is a complete stranger, continue: "We've met before, but not for some time. I've been working in Germany, and I want to touch base with him because there's a business opportunity I know he'd be interested in."

According to David Werner, the chances are that once the message has been relayed, you'll be put through. Naturally, the executive will ask how he knows you. But when he *does*, your reply is: "I'm sorry? I didn't say we knew each other. What I said was we've *not* met before, but for some time I've been working in Germany, and there's a business opportunity there. You see...."

Although whether the idea bears fruit must remain to be seen, *you have secured your first* objective of getting the decision-maker's ear. True, the price of it has been falsely suggesting that the secretary wrongly reported what you said, but only by misplacing the single word "not" which is surely something any busy person, however efficient, can be forgiven for. Besides, the New York consultant says, "at times like these for executives, getting re-employed calls for guerrilla warfare."

Nevertheless he adds that the canniest guerrillas do not start their secretary-circumventing with a telephone call. They first prepare the ground by sending the target chief a letter of at most 20 lines in length, and nothing more. (One of David Werner's rules for writing speculatively to *employers*, as distinct from recruitment consultants, is never send a curriculum vitae at first. That's best left until a chat with the appropriate boss has given more idea of what's wanted.) His pattern for the letter reads:

Working in Germany recently, I discovered a niche market for a product like yours – one where only three suppliers are active, all importers. The market opportunity, as I see it, would require a modest investment to set up a small assembly plant. Is it your intention to expand in Europe?

If it is, and you think a discussion might be useful, please call me. My number is....

While it's helpful to add any career details that support your candidature, he says, they should be put in a postscript beginning: "In case you wonder who I am...." The PS itself is a valuable aid because experience shows it makes the letter stand out.

What you've written serves as a spearhead for the telephone call a bit later. "The *bona fide* new venture," smiles David Werner, "the best by-pass weapon of all." When the secretary asks what your business is, you reply: "The German market proposal I've been in touch with him about."

THEN again, for discarded executives who'd rather change their career than descend to such tactics, there may be help in a new charitable trust. It has been *set up in memory of* Lord Seebohm, the former Barclays Bank director killed in a road accident in 1990, by his children Richard and Caroline Seebohm, and Victoria Glendinning.

They have so far raised just over £100,000 to provide grants of up to £5,000 for people wanting to change career. The Frederic Seebohm Fellowships will go to applicants who can show a sense of mission or public-service commitment, a *fully* worked-out career plan, and financial circumstances that either rule out the desired move or put their family unit at risk in making it. Application forms from Judi Barwick, Frederic Seebohm Charitable Trust, 5 Tavistock Place, London WC1 9SS; tel 071-383 2124.

Michael Dixon

TOP OPPORTUNITIES

SENIOR POSITIONS IN GENERAL MANAGEMENT

MONOPOLIES AND MERGERS COMMISSION

Chairman

The President of The Board of Trade seeks a successor to Sir Sydney Lipworth whose term of office is nearing completion.

- **THE COMMISSION** undertakes enquiries referred under statute and makes recommendations. These are of critical importance and often politically sensitive.
- **THE NEED** is for intellect, probity and personal stature of the highest order together with an outstanding record in industry, commerce or the professions.

Written applications and nominations in complete confidence, in respect of men or women, are invited by Nigel Humphreys, Managing Director, acting for the President of The Board of Trade, at:-

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We seek a "Hands on" executive with a demonstrated record of accomplishment in the manufacturing and sales of capital equipment to the power generating industry. Must have prior total P&L responsibility over international, multi-location production facilities.

Candidates must have extensive experience in Engineering and Manufacturing in a metal fabricating environment and be capable of combining a group of subsidiaries into one coordinated operating unit. We are looking for a team player who can work through a worldwide, centralized marketing and sales force and can operate in an environment of open communications and employee empowerment.

Our client is a U.S. publically owned leader in the air pollution industry. This position reports to the CEO/President, and will likely be posted in Europe. Extensive travel involved.

Compensation package includes competitive base salary, significant performance bonus, car, stock options and full benefits.

Please send complete chronological resume and detailed salary history to: Box A1829, Financial Times, One Southwark Bridge, London SE1 9HL

Volvo Cars Europe Marketing Brussels

Volvo Cars Europe Marketing N.V./S.A. is the European Marketing Company of Volvo Car Corporation. Based in Brussels, this office carries full responsibility for the marketing, sales and after-sales activities for Volvo cars in Western Europe and currently employs 85 people of 10 different nationalities.

Volvo Cars Europe Marketing was set up in 1990, following Volvo's decision to divide its commercial activities into four geographic zones: Western Europe, Scandinavia, North America and Intercontinental.

Manager Sales Operations

to support, coordinate and consolidate the activities for which five Area Managers are responsible.

Main accountabilities are: ☐ achievement of annual sales and profit objectives in all markets; ☐ development and implementation of appropriate marketing plans in cooperation with the Sales Companies in each market; ☐ establishment of optimal product and pricing strategies for all markets.

The person we seek should be performance oriented and have an extensive field and marketing experience, preferably in the automotive industry. Experience from fleet sales and leasing would be an advantage.

He or she should be a good motivator and a team leader who ensures that the above mentioned activities are performed in a manner consistent with established strategies and objectives.

The Manager Sales Operations reports to the Vice-President Car Marketing.

Volvo Cars Europe Marketing offers you a stimulating and challenging work environment and a benefits package appropriate to a quality organisation, including a company car and group hospitalisation insurance.

If you feel you could meet the challenge of this position, please write in confidence, enclosing your curriculum vitae and a short description of your current activities and responsibilities to our Personnel Officer, Caroline Breithardt.

Volvo Cars Europe Marketing N.V./S.A., Zellikseesteenweg 12, 1080 Brussels, Belgium. Tel.: 32-2-464-22-11. Fax: 32-2-465-28-48.

VOLVO

BANKING FINANCE & GENERAL

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ScottishPower is thriving in adapting to the dynamics of the private sector. A clear corporate strategy has been set in motion, and ambitious targets have been set.

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Reporting to the Company Secretary, you will be an intelligent and highly articulate professional capable of liaising with institutions, analysts, journalists, and opinion formers.

While maintaining liaison with investors in general, you will plan a programme of external contacts, organise and manage meetings and presentations, and will ensure full, accurate and up to date contacts and meetings records. You will also continuously monitor the standing of the company in the City, provide inputs to investor relations strategy, and will play a key role in the annual and interim results announcement process.

You will have at least five years' experienced knowledge of the City and its workings, ideally including an established network of relevant contacts. Financial, economics or business qualifications are appropriate, coupled with the ability to develop and to nurture positive relationships. The ability to present ideas and information with clarity and conviction, and highly developed administrative skills are essential.

Salary is negotiable and benefits include a performance related bonus, car, private health cover, and contributory pension. Relocation assistance is available.

The West of Scotland affords a high quality of life, with beautiful countryside and fine coasts within easy reach. Glasgow is itself a thriving international City with a diverse range of high quality choice in leisure and cultural activities.

Applications in the form of a full CV and a covering letter indicating the reasons for your initial interest in this opportunity and your current earnings, should be submitted to the Director of Personnel, Scottish Power plc, Cathcart House, Spean Street, Cathcart, Glasgow G44 4BE. All correspondence will be treated in the strictest confidence.

ScottishPower

INTERNATIONAL TELECOMS MANAGEMENT CONSULTANCY

Excitement and assured growth *are* possible in 1992.

The telecoms sector is one of the few safe bets for expansion in the '90s.

Telecoms could double its share of GDP in the developed world, and elsewhere achieve even more explosive growth. Structural and technological change and globalisation will add complexity, and the increase in demand for consultancy services will, therefore, exceed even the sector's growth rate.

One of the largest consultancy firms in the world, Coopers & Lybrand is pre-eminent in telecoms consultancy. Our UK firm is a major base for our Global Telecoms Group. In the past year our London-based telecoms consultants have worked in more than 20 countries in all five continents.

We provide full-service consultancy advice ranging from corporate strategy to systems implementation. Consultants joining us now can expect to work principally in the following areas:

* privatisation and sector policy * regulatory advice
* international strategy and market analysis
* business and network economics * financial modelling * business re-engineering

We are now looking primarily for the following ECONOMISTS and BUSINESS ANALYSTS, but would welcome enquiries from other specialists in the telecoms sector.

* **Young Economists/Business Analysts** with a good first degree in Economics and, ideally, a relevant second qualification such as an MBA or in finance. Probably aged 23 to 28.
* **Experienced Telecoms Executives** with a good first degree and several years' experience in strategy, planning, economics, regulation or financial analysis with an established telecoms company, probably a service provider. Probably late 20s/early 30s.
* **Project Managers** with good telecoms sector experience and proven successful team or project management experience, who can manage large consultancy assignments in the telecoms sector overseas. Relevant backgrounds include a telecoms service company and consultancy.

A willingness to travel abroad, often at short notice, is essential. Fluency in a second European language would be a great advantage. You should also possess a lively, disciplined intellect, good interpersonal skills and a strong motivation to deliver excellent quality.

We reward well, offering upper quartile salaries and conditions.

If you feel you can add to the strength of our team, please write enclosing your CV to Stephen Mitchell, Coopers & Lybrand, Plumtree Court, London EC4A 4HT, quoting ref: FT016.

Coopers & Lybrand | Solutions for Business

Singapore & Malaysia Equity Salesperson

A leading London-based international broker is seeking a salesperson to sell Singapore and Malaysian equities to UK and European institutions. The candidate will probably be aged 25-35 and must have the following attributes:

- At least five years' experience gained in a major stockbroking or investment management institution in one of the those countries
- Fluency in English and Cantonese (Mandarin would also be useful)
- A high quality business or economics degree

Please send a CV indicating salary and daytime telephone number to Box A1849, Financial Times, One Southwark Bridge, London SE1 9HL

Stockbroking Opportunity

International stockbroking and investment banking company specialising in the financial industries will be taking on one or two additional people under 30 with minimum two years' experience of the US or European stock markets. Some background in languages, accounting or business studies would be an advantage. This is a career opportunity to join a successful established company.

Please write to:

Miss Jean Dyson
Fox-Pitt, Kelton Ltd
2 Eldon Street
London EC2M 7LS

Senior Dealer - Foreign Exchange

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A unique opportunity to participate in the global activities of this prestigious Investment Bank.

The Bank now seeks a Senior Dealer to run their new Scandinavian Spot Desk, a position which requires a high level of liaison with the corporate sales team.

The successful candidate will have at least five years' experience in trading Scandinavian and EMS currencies in other major houses. Fluency in at least two Scandinavian languages is essential.

The bank will offer a competitive remuneration package to reflect experience. The post will be based in London. Please write to David Dodd quoting reference number 12065 at MSL Group Limited, 32 Aybrook Street, London W1M 3JL.

MSL International

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Our client, one of the world's leading securities houses, is an acknowledged leader in underwriting, distributing and trading securities. It also provides investment banking and other services to corporations, institutions, governments and their agencies worldwide.

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ACCOUNTANCY COLUMN

Auditors applaud as boat remains unrocked

By Andrew Jack

A STRONG gale blew across Britain last week, when hundreds of accountants sighed with relief as they read the favourable findings of the Cadbury report on the financial aspects of corporate governance. Their opponents might have mistaken it for a blast of hot air.

As something created, housed, funded, widely lobbied and partly staffed by accountants, the Cadbury committee was likely to take a sympathetic view of the profession.

Accountants, their firms and representative bodies often publicly lauded the work of the committee chaired by Sir Adrian Cadbury since its creation in May 1991. Some even seemed to regard it as a panacea for the recent high-profile criticisms of auditors.

But many other accountants – as well as the relatively small number outside the profession aware of the committee's existence – privately conceded the report was likely to be a damp squib. They were not disappointed.

Some interesting and worthwhile proposals are contained in the 70-page report – even some radical ideas, in earlier drafts and suggestions. But most of the strong words have been diluted in the final version, while those that remain have been drowned in a round of congratulatory back-slapping.

"The accountancy profession has done much recently to improve its standards and procedures," the Cadbury committee says. It supports the work by the professional bodies on ethical rules and disciplinary arrangements. It endorses the work of the Financial Reporting Council, the Accounting Standards Board, the Financial Reporting Review Panel and the Auditing Practices Board. It welcomes the utterings of the Institutional Shareholders Committee.

As a result, it comes as no surprise that the report has been widely welcomed by these very bodies as well as the accountancy firms and some of their blue-chip clients which are already preaching if not practising many of the enlightened ideas on corporate governance put forward.

But some would suggest there is a danger that the committee has been a little too eager to endorse changes already being put in place. One analogy might be the work of the National Audit Office.

NAO reports provide often excellent, searching scrutinies of government departments. But by the time (generally many months) the senior civil servants responsible are summoned to the Commons' Public Accounts Committee to respond to NAO criticisms, the report has already been widely circulated and remedial action taken.

At best, that saves bureaucratic face. At worst, it may imply the managers have helped the consultants identify issues they have already identified and feel comfortable rectifying. The result is not always an objective way to look for failures.

In the same way, the heady praise in the Cadbury report needs to be read with a little scepticism. A number of its recommendations sound impressive, but add little that is new. For example, it calls for directors to state whether their company is a going concern, and auditors to report and give guidance on this judgement. Yet the Auditing Practices Board made just this proposal last month.

The Cadbury committee suggests non-audit fees received by accountancy firms from audit clients should be disclosed. This was made mandatory in an amendment to the Companies' Act for financial year ends beginning after October 1 last year.

It also calls for guidelines on rotating audit partners, to ensure a fresh approach. New ethical guidelines published by the Institute of Chartered Accountants in England and Wales in February state that safeguards against "loss of independence" should include rotation of the engagement partner on audits.

The heady praise in the Cadbury report needs to be read with a little scepticism

Just because these ideas have been launched elsewhere does not make them wrong. The new bodies created and codes put in place appear promising. But it is too early to judge them and some would argue it is disappointing to see recommendations mirroring so closely the action already being taken by the accountancy profession.

Equally disappointing is the failure of the Cadbury committee to add much to the debate over two of the more contentious issues facing accountants. First, the Caparo judgement in the House of Lords, which says that auditors have a "duty of care" to the company and its shareholders collectively, but not to shareholders as individuals or to third parties.

Second, the potential conflicts facing an auditor conducting non-audit work such as consulting for its client, thus receiving large fees which may threaten independence and being in the position of auditing the work of other parts of its own firm. Other than suggesting disclosure of non-audit remuneration – which does nothing to identify conflicts which may arise – the report rejects calls for change on either of these two issues.

There are, however, positive aspects to the report. Its suggestion of an auditors' review of interim statements – which should include balance sheet and even cash flow information – may help reduce the scope for manipulating figures in the period between audited annual accounts. Legislation to protect auditors in non-regulated industries if they alert the authorities of fraud would also be welcome.

Outside the remit of the accountancy profession, there are also some excellent recommendations. Ensuring that directors' contracts are re-approved by shareholders every three years, increasing the powers of high-quality, independent non-executive directors, developing strong internal control systems, and creating effective audit committees are among the more praiseworthy objectives.

But all these findings ultimately boil down to enforcement. As the report itself notes, "The machinery [for raising expectations of corporate behaviour] is in place. What is needed is the will to improve its effectiveness."

Yet that pressure relies on an entirely voluntary system of compliance. The backbone of the report is a code of practice. Companies must cite whether they have complied with the code in their annual reports, on threat of de-listing by the Stock Exchange if they do not. It is then up to shareholders to exert pressure if they are not complying.

Whether shareholders and other users of accounts will exert such pressure is questionable, certainly if their apathy in responding to the draft proposals so far issued by the Accounting Standards Board is anything to go by. The quality of corporate governance is likely to be less important to them (particularly after the end of the recession) than a good return on their investment.

Equally, whether the Stock Exchange will embrace the concept of the de-listing threat – at a time when it is concerned to ensure London is an attractive financial centre – remains to be seen.

The wider recommendations in the Cadbury report ultimately come back to the auditors. As well as their involvement on particular points – such as "reviewing" interim statements – they are called on to review the company's overall compliance with the code of practice.

The firms may balk at the idea of taking on this additional responsibility, which could make them a good deal more vulnerable to criticism. Alternatively, they may be able to hide behind the ambiguities that a "review" rather than a full, legally-defined audit permits. Their agreement to play along with the spirit of Cadbury may be the last chance for a voluntary code to work.

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First class opportunity for a commercial and robust Finance Manager to play a key role in the development of the principal operating subsidiary of successful and growing PLC.

THE COMPANY
- Major manufacturing operation with £40m turnover and 300 employees based on one site.
- Part of quoted UK-owned group with respected senior plc management team.
- Well resourced with strong balance sheet and poised for growth.

THE POSITION
- Chief financial officer with responsibility for financial and management accounting and control. Report to MD.
- Hands-on role evaluating and upgrading management and financial information and systems. Control substantial capital expenditure programme.
- Drive corporate business plan. Lead and develop accounts team of fifteen.

QUALIFICATIONS
- Qualified Accountant, aged 32-40, with sound financial management, costing and investment appraisal skills, ideally from process manufacturing.
- Energetic and results orientated manager used to working in a pressurised environment.
- Tough but diplomatic leader with the vision and ability to motivate a young team.

Please write, enclosing full cv, Ref 1L0530
54 Jermyn Street, London, SW1Y 6LX

NBS

NB SELECTION LTD - a Norman Broadbent International associated company
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V.P. BUSINESS ANALYSIS

C. LONDON — 30 - 40 — TO £ 50,000 + BANK BENEFITS

This leading, well capitalised, US financial services institution has a strong product range and extensive franchise. With this competitive edge, it is seeking to improve customer service by further developing its product range and Market coverage.

Reporting to the Vice President, Financial Control, the role will involve the management of a highly motivated and experienced team. It will encompass the preparation and production of management information, analysis of business results, strategic planning, forecasting, and systems automation, as well as having responsibility for liaising with Business Managers in the UK, Europe and USA.

The ideal candidate will be a graduate qualified accountant, currently working for a financial institution and looking to further his or her career in a dynamic international organisation.

The successful individual must display excellent business analysis, technical, and interpersonal skills as well as being able to demonstrate commercial flare.

This position offers some international travel and further career prospects within the institution are excellent.

Interested applicants should write to: **Robert Walters Associates at 25 Bedford Street, London, WC2E 9HP, quoting reference GD/RW 166.1.**

ROBERT WALTERS ASSOCIATES

LONDON WINDSOR BIRMINGHAM BRUSSELS AMSTERDAM PARIS

EUROPEAN CREDIT MANAGER

The Muehlstein Company, a wholly owned subsidiary of the Mobil Oil Corporation, has recently established a new company in the UK. Muehlstein is a leading international marketer of polymers for the plastics and rubber industries. The company has 25 sales offices in Europe, in the Americas and the Far East and buys and sells more than 750,000 tonnes of raw materials annually. The UK operation has assumed key European responsibilities and global management for the Group's synthetic and natural rubber business.

A Credit Manager is now required to establish a European-wide professional credit function for the Company. The person selected will have the following background/experience:

- University graduate.
- At least five years experience in a European credit control function, preferably in a related industry.
- Thorough knowledge of European market terms and conditions of sale.
- Knowledge of international remittance practices and procedures.
- Ability to integrate with a diverse European sales team.
- Fluency in at least two European languages in addition to English.

The position will command an attractive compensation and benefits package.

Please send your CV on one page only to:
The Personnel Director
Muehlstein (UK) Limited
Edenfield
London Road
Bracknell
Berkshire RG12 2XH

FINANCIAL RISK MANAGER

North
c £28,000
Car
Excellent Benefits

- This is a superb opportunity to join one of the UK's leading financial services organisations. With a turnover of £200m, the company provides credit to a national network of motor dealerships.
- We are seeking a qualified (or part qualified) accountant to control the financial risk assessment process, analysing dealership accounts, co-ordinating financial arrangements and acting as a focus of financial expertise and communication. The role will involve substantial UK travel, close contact with dealers, and the development of financial awareness within the sales force.
- Probably aged between 28 and 40, you should have a full understanding of credit risk management and be able to demonstrate sound business acumen. Knowledge of commercial lending or the motor trade would be beneficial, but it is not essential. This position would suit an accountant seeking to broaden and develop a career within a dynamic commercially-orientated business.
- The company offers an excellent benefits package, including a base salary c£28,000, bonus, company car, preferential mortgage scheme, BUPA, pension and generous relocation assistance to an attractive rural location in the North.
- **To apply, please send your CV, in confidence to: Tim Smith, Theaker Monro & Newman, Wrens Court, 60 Victoria Road, Sutton Coldfield, West Midlands B72 1SY (021 355 8868) quoting ref: 3029.**

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LONDON 081 863 9001 · MANCHESTER 061 832 0033

THEAKER MONRO NEWMAN
RECRUITMENT & PERSONNEL CONSULTANTS

LORNAMEAD

FINANCIAL DIRECTOR

c. £40,000 + Bonus + Car + Benefits

Lornamead Ltd is a well established family owned business with a turnover of £14 million, principally trading in *toiletries, wines & spirits, foods and pharmaceuticals in both UK and overseas markets. It operates under a variety of* brand names of which "Celsius" in the male toiletries sector is best known in the UK.

The Company is seeking a well experienced Financial Director to be based in the London head office, reporting directly to the Chief Executive. This is a key appointment encompassing treasury, tax, finance, pensions, insurance and management information. It will involve a close working relationship with senior management in Sales, Marketing and Operations, with active participation with other Board colleagues in the strategic evolution and growth of the Group.

The successful candidate will be aged between 35-40 and must be a qualified Chartered Accountant with a proven track record of effectiveness in all aspects of Financial Management, including the development of control systems, *and have a high degree of computer literacy. Experience will preferably be gained in a trading or commercial* environment.

Please write in confidence with full career details to the
Chief Executive, Lornamead Ltd, Lornamead House,
1/5 Newington Causeway, London SE1 6ED.

GROUP FINANCIAL CONTROLLER

Transport / Leisure
North of England
Package c. £30k + Car

- This well-established, profitable and acquisitive transport, travel and leisure group, with £17m+ turnover and plans for further investment and growth, is seeking a high-calibre Group Financial Controller to join its senior management team.
- Reporting to the MD, with broad responsibilities, including statutory and management accounts, cash management, and capital investment appraisal, you will influence operating company managers in order to enhance financial disciplines and systems. This expanding group will provide plenty of opportunities for you to further develop the role, including involvement with acquisitions.
- You are probably 30+ and a graduate ACA with good technical and computer skills. Your post-qualification experience will ideally include a financial accounting role in the service sector. Persuasive, determined and goal-orientated, you will favour a focused, but flexible and sensitive, approach to achieving objectives. Rewards include a good salary and performance-related bonus.
- ***Please send your CV to: Stan Dickinson, Theaker Monro & Newman, Suite 2A, Joseph's Well, Park Lane, Leeds LS3 1AB quoting ref: 1086***

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THEAKER MONRO NEWMAN
RECRUITMENT & PERSONNEL CONSULTANTS

ARE YOU OVER 40?

- and maybe a little disillusioned?

If you are a qualified accountant with a strong commercial background, preferably in a retail company or with a supplier to the retail trade, we may be able to offer you an escape from company politics and an opportunity to reap the rewards of your own efforts.

We are a small group of self-employed professionals (just 18 of us) carrying out an unusual service for our clients who include most of the country's leading retailers. We review their records for archived overpayments and our fees are based entirely on recoveries made. Amounts recovered are frequently very significant and, after twelve years' experience, we rarely now find a review which is unproductive. *It is challenging and rewarding work, sometimes frustrating, often fun! Average gross fees earned last year were over £50,000.*

We are currently looking to strengthen our representation in most parts of the Country and so, if you believe you have the positive, lively, self-motivated approach necessary for this work, please send c.v. in confidence to:

Peter Bennett FCA, Tring House, 77-81 High Street, Tring, Herts. HP23 4AB

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STEPHANIE COX-FREEMAN
071 873 4027

ALPS

ACCOUNTANCY & LEGAL PROFESSIONS SELECTION LTD.

3 London Wall Buildings, London Wall, London EC2M 5PJ
Tel: 071-588 3588 Telex No. 887374

Key appointment, as member of senior management team, for a strategic thinker who thrives in a busy and dynamic environment

ALPS

FINANCE DIRECTOR

EASTERN ENGLAND **£30,000-£35,000 + BENEFITS + CAR**

ONE OF THE FASTEST DEVELOPING NHS HOSPITALS AIMING FOR TRUST STATUS APRIL 1993. T/O IN EXCESS OF £20m.

We invite applications from qualified accountants, aged 30+, who must have had at least 4 years' demanding and varied *management accounting experience,* which will have been gained within a large organisation (500 plus staff), either in the commercial or public sectors. The selected candidate, who will report to and work closely with the Chief Executive, will be responsible for developing appropriate policies and giving the strategic advice which will influence the management team and hence make a significant impact on the future direction of the Trust. Operational responsibilities, through an established accounting team, will include setting-up and running systems required to manage an effective Trust as well as the successful operational control of the Finance function. Essential qualities are clarity of thought, excellent written and verbal communication skills, computer literacy and to be a good team player. Initial salary negotiable £30,000-£35,000 (review in November) plus performance related bonus, car, contributory index linked pension and removal expenses if necessary. Applications, in strict confidence, under reference FD219/FT, to the Managing Director: ALPS.

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c.£60,000 + Substantial Bonus Potential + Benefits ***Major Investment Bank*** ***City***

Global Finance-Operations

A unique management remit for an astute commercial mind to head the operations team supporting the prominent securities *activities of this prestigious name.* The Bank *is recognised* as one of the global elite and consistently generates record profitability and ROE through sound risk management. A flat management structure *has created a dynamic environment striving* for business efficiency, allowing its managers to make a significant strategic impact. Career prospects are excellent.

THE ROLE

- Lead a highly efficient team of 20 professionals in maintaining all aspects *of tight operational control. React immediately to business* problems while closely monitoring the Bank's position on tax, credit and compliance issues.
- Make a strategic impact by consistently seeking to improve business *efficiency, identifying* opportunities by networking with the trading floor, financial control, technology and global counterparts.
- *Manage and motivate the team, keeping a finger on the pulse* whilst delegating responsibility. Report to the business manager with additional responsibility for special projects.

THE QUALIFICATIONS

- High calibre graduate, aged 30 and over, with thorough knowledge and understanding of operations management *in a* trading environment. Likely to be a trained accountant or MBA, coming from an operational, financial control or audit background.
- Evidence of strategic input combined with the stature to handle a range of fiscal issues critical to business efficiency. Adept at interacting with traders and senior managers.
- *Excellent communicator, capable of influencing* at all levels across the organisation. Confident, tenacious and resilient with the aptitude to manage in a flat matrix structure.

London 071-973 0889
***Manchester* 061-499 1700**

Selector Europe
A Spencer Stuart Company

Please reply, enclosing full details to: Selector Europe, Ref F7101062L, 16 Connaught Place, London, W2 2ED 071-973 0889

Financial Controller

Hertfordshire c£38,000 + Car

Our client is one of the country's leading independent flour millers and suppliers of specialist food ingredients. Founded in 1857, *this family-run company has expanded* production to three sites and currently turns over c£25 million. Much of their success can be attributed to a high level of investment in technical product development and the ability to identify and develop specialist markets. The company's prestigious customer base consists largely of well-known FMCG companies.

In order to strengthen its financial and commercial expertise, the company is seeking to appoint an ambitious, qualified accountant with strong communication and technical skills, and the ability to become an integral part of the senior management team. The successful candidate will report to and assist the Managing Director, and will be responsible for all aspects of finance, administration, systems, reporting and control. The Financial Controller will be expected to provide significant commercial input to new business development.

Prospective candidates must be qualified accountants, preferably graduate ACA/ACMA (aged 30-45) with a *successful track record of managing a finance function in* a product-orientated sector. Individuals who have worked in a multi-site environment and have developed management information systems will be of particular interest. Above all, candidates must be able to demonstrate energy and commitment together with the confidence and presence to command respect both within and outside the organisation. Applicants should be able to offer both a 'hands-on' approach to the business and the *intellectual ability to contribute to strategic decisions.*

In return the company offers a generous remuneration package and the prospect of a full Board position within the next eighteen months to the successful candidate.

For further information, please write (enclosing a full CV, salary details and daytime telephone number) to **Dan Chavasse, Michael Page Finance, Centurion House, 136-142 London Road, St Albans AL1 1SA. (Quote ref: LN6464).**

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide

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Commercial Controller

South Midlands c £35,000 + Car + Relocation

Our client is a substantial UK subsidiary of a major multinational corporation. Involved in the food industry they have shown dramatic growth in recent years and are currently poised to open a new operation on the continent, further expanding their markets and capacity.

This growth has been mirrored by the increase in both size and strategic importance of the sales and marketing division. Combined with the increasingly complex nature of the business, this has created *an excellent opportunity* for a Commercial Controller. This is a highly visible opportunity to improve overall company performance, through a substantial upgrade of the financial/administrative systems and services.

Reporting to the Sales and Marketing Director, and managing some 25 staff, the role is responsible for providing financial control and commercial decision making support to the Sales and Marketing Division. Key areas of accountability include:

- Monitoring margin and volume performance
- Financial/Operational controls and systems
- Forecasts and budgets
- Financial and administrative support services to sales and marketing functions

The successful candidate will be a commercially orientated graduate calibre qualified accountant, with at least five years post qualification experience in a manufacturing/FMCG type company. Having had responsibility for a team of six or more staff, you will be highly self motivated, confident, determined and decisive with outstanding interpersonal skills. This is a key position and the company is looking for a candidate who after succeeding in this position would be promotable to Finance Director.

Interested candidates should write to ***Oliver Howl*** **BSc ACA at Michael Page Finance, Bennetts Court, 6 Bennetts Hill, Birmingham B2 5ST,** enclosing a current curriculum vitae. **Please quote reference OH132.**

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CHARTERED ACCOUNTANT

Seeks short, medium or long term assignments in London or Greater London area. Extensive experience in manufacturing, engineering, selling and distribution and service sectors of industry and commerce.

Please call 071-584 7149 (Answerphone)

Expert in Indian company law & taxation

with at least 15 years practical experience.

Preferably FCA (India).

Must be authorised by Department of Trade & Industry to practice as an auditor in UK.

Apply to Joseph & Co, 128 East Barnet Road, New Barnet, Herts EN4 8RE

Ambitious Young Accountants

Thames Valley Attractive Package + Car

Our client is the recognised world leader in its specialist fmcg field, with an enviable reputation for success and quality.

The challenging marketing objectives for the future require a responsive and creative financial management team who will play an important role in developing the business.

Recent reorganisations have resulted in opportunities for top flight, ambitious young accountants with a strong commercial orientation and the potential for further progress.

You should be professionally qualified, probably a graduate, in your early 30s, with at least five years' post-qualification experience and a proven fast-track record. In addition to experience in financial accounting, the roles require skills in areas such as: management reporting and planning, credit management, customer service, targeting, and man-management.

Above all, being a Company with a strong commitment to management development and succession planning, we are looking for quality accountants with long-term development potential.

The positions offer a first class benefits package including an attractive salary, car, non-contributory pension, life assurance, long term sickness protection, and free private health insurance, and an exceptionally attractive working environment.

Please write in confidence, enclosing *full career and salary details, stating how* you meet the above requirements, to Paul Banfield, Ref: 23076, MSL Group Limited, 32 Aybrook Street, London W1M 3JL.

MSL International
CONSULTANTS IN SEARCH AND SELECTION

Tax Free Management Opportunities

Jeddah, Saudi Arabia

This leading Saudi-based food manufacturer and distributor is ranked amongst the top 50 companies in the Kingdom. A dynamic and forward-looking group, our client enjoys considerable commercial success and is currently embarked upon a major programme of global expansion, through both organic growth and acquisition.

To help bring its plans to fruition, our client now wishes to further strengthen its Finance Division through the appointment of the following professionals:

Manager - Management Accounting & Control

up to $40,000

This important post will involve leading a team responsible for the operation and development of the management accounting systems, and for reporting operational results *to senior management. You will also control* the budgeting and forecasting processes, which will involve working closely with the operating companies world-wide, and assist in the implementation of TQM within the group.

This senior appointment calls for a professional accounting qualification, supported by at least 5 years' experience gained within a major multi-national organisation *in a management accounting, audit or* consultancy role. Practical knowledge of the development of computerised management information and accounting systems would be particularly valuable. Ref: A33083.

Manager - Management Audit

up to $32,000

Leading a professional head office team, you will provide management audit support for the group on an international basis. Your role will also involve auditing financial reviews *of investment projects and conducting due* diligence studies of acquisition targets.

A qualified accountant, your 5+ years' relevant experience within a multi-national organisation will have included the development and/or audit of computerised accounting, costing and management systems. *An understanding of activity-based and* process costing is also desirable. Ref: A33084.

Manager - Acquisitions & Investments

up to $32,000

You will have the vital task of assisting *senior* management in the international search for corporate acquisitions and investments in the food and related industries. The financial analysis, evaluation and risk assessment of potential acquisitions and development projects will be important aspects of your work.

An MBA or possibly a qualified accountant, you must have at least 2 years' post-qualification experience in a similar role. Ref: A33085.

These posts are offered initially on a 2 year, *married status, contract with good prospects* for renewal. The generous benefits include high quality free accommodation, home leave with paid air fares, medical insurance and education allowance.

Shortlisted candidates *may be invited* to the group head office in Jeddah to meet senior management and find out at first-hand the personal and professional advantages of living *in Saudi Arabia and working for this* progressive company.

Please write - in confidence - with full career and salary details, including a day-time telephone number, to Ghassan Yazigi, *MSL Group Limited,* 32 *Aybrook* Street, London W1M 3JL. Please quote the appropriate reference number.

MSL International
CONSULTANTS IN SEARCH AND SELECTION

Planning Accountant

London £Excellent

Part of a market leader in the field of global telecommunications, our client has achieved tremendous growth through its commitment to long term planning, quality of service and technological advancement.

As a result of continued success it seeks to appoint a finance professional who will provide accounting support for this key division. The responsibilities of the job will include:

- supervision of operational accounting activities for the constituent parts of the group
- decision support activities for investments
- contributions to and appraisal of business cases
- consolidation and presentation of five year plans
- analysis and presentation of management budgets and forecasts

Liaison with senior commercial managers from non finance disciplines is an integral part of the role and as such strong interpersonal skills will be a key personal attribute.

The successful candidate will be a qualified accountant with 2 years PQE, have experience of mainframe accounting systems and be comfortable operating within a multi-disciplinary team. Working knowledge of financial budgeting and capital accounting within a long term project based environment is required, together with extensive experience of Excel spreadsheet packages.

The environment is a results orientated meritocracy and as a result long term prospects are excellent for high achievers.

Interested applicants should contact **Peter Gerrard at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH or telephone 071 831 2000.**

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide

Finance Director

North of England **to £60,000, Car, Bonus, Equity**

Market Leader • Growth Industry • Total strategic and commercial involvement • Excellent package with Equity Participation and relocation • This is an exceptional opportunity.

CONTEXT

Astra Training Services is the UK's leading training provider. • They seek an outstanding finance professional to work closely with the Managing Director as part of a small executive team. • The objective is to achieve profitable development of this £40 million turnover business within a dynamic, rapidly evolving marketplace, whilst simultaneously exploiting the potential of the company's substantial property portfolio.

ROLE

Key contribution to strategic and commercial decision making. • Total responsibility for financial reporting and control. • Strong leadership of department of 24 staff. • Development of management reporting systems.

QUALIFICATIONS

Qualified Accountant aged 35 to 45. • Decisive, tough, radical thinker with strong intellect. • Credible at the highest level. • Proven track-record of success in the management of change, ideally in a multi-site service sector environment.

Please reply in writing to 174a Ashley Road, Hale, Cheshire WA15 9SF enclosing a full curriculum vitae and quoting Reference RBH 1017 to arrive no later than 15th June 1992. Telephone: 061 929 9105 Facsimile: 061 929 8023

ROBINSON BROADHURST & PARTNERS
- SEARCH AND SELECTION -
HALE · YORK

NORTH WEST **To £35k + BONUS + CAR**

Head of Internal Audit

For a well-known, substantial and long established plc, with an enviable reputation for the design and quality of its products, which it manufactures, distributes and retails internationally.

The function of internal audit is being re-established as a fundamental part of the drive to improve the general quality of financial control and reporting throughout the group. Reporting to the Group Finance Director, your principal tasks will be to ensure that appropriate financial procedures and controls are documented and implemented and to instigate cost-effectiveness reviews.

You will probably be a graduate chartered accountant in your late 20s or early 30s, and will have managed significant audits within a major accountancy practice.

Internal auditing experience in a blue-chip business would also be an advantage. The job holder will be based in the UK but will undertake considerable overseas travel. The job offers a high performer outstanding prospects for career development.

Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence, to Peter Jones, Coopers & Lybrand Executive Resourcing Ltd, Abacus Court, 6 Minshull Street, Manchester, M1 3ED, quoting reference P234 on both envelope and letter.

Coopers & Lybrand Executive Resourcing

DENNIS PUBLISHING LTD

FINANCE DIRECTOR

London **c.£40,000 + benefits**

Dennis Publishing Ltd, one of the UK's leading independent publishing companies is seeking a suitably qualified accountant for a newly created position arising from the expansion of the business. The company is entrepreneurially led and has experienced rapid growth over the last few years, currently employing 180 people with a turnover in excess of £20m.

The Finance Director will report to the Managing Director and be a member of the Executive Board, taking responsibility for a staff of 12 covering financial and management accounts, personnel and administration. The accounting systems are fully computerised, using CODA accounting software.

Preferred candidates will be aged around 35 and have considerable post-qualifying experience outside the profession, ideally with some experience within the field of periodical publishing. They must be good communicators, able to provide senior colleagues with support for the production of profitable and successful titles, to encourage rapid and reliable preparation of accounts, budgets, financial reports and cash management and to assist and advise on the company's financial requirements.

Please reply in confidence with a comprehensive curriculum vitae including details of current remuneration and a daytime telephone number to D.E. Shribman at Hudson Shribman, Vernon House, Sicilian Avenue, London WC1A 2QH (Fax 071-404-5773).

HUDSON SHRIBMAN
financial recruitment

Financial Controller

CONSUMER PRODUCT MANUFACTURER
Package £35,000 + CAR
NORTHERN ENGLAND

This well-established manufacturer of high volume and variety consumer products is achieving considerable business growth with a profitable turnover of £40 million and rising.

By close control of production methods, yields and efficiencies after significant investment in capital equipment, healthy margins are realised in a very competitive marketplace. Inventory levels calculated to balance production changeovers with MRP scheduling must meet the demanding customers' delivery expectations. Reporting to the Managing Director, this key role will produce the accurate and highly topical management information totally integral to the profitable development of all aspects of the operation.

A qualified accountant probably in your late 30's, you will have a successful management track record in a fast-moving manufacturing company where your acumen and flair for cost controls have directly increased the profitability and sound growth of the business.

As part of a significant Group, flexibility on location may be necessary to maximise career opportunities. The benefits, including relocation assistance, are excellent.

Candidates should send a comprehensive c.v. or telephone for an application form to Howgate Sable & Partners, Arkwright House, Parsonage Gardens, Manchester, M3 2LF. Tel: 061-839 2000 quoting reference (FI.673F).

Howgate Sable

SEARCH AND SELECTION: EXECUTIVES AND INDEPENDENT DIRECTORS

Financial Controller

help shape our future

c £50K + Exec. Car + Benefits

Herts – Middx Border

Our client is a £100m turnover UK subsidiary of a $3 billion US corporation which is the world leader in its field of specialised electronic components.

Due to an international promotion there is a rare opportunity for an outstanding, professionally qualified accountant to lead this organisation's UK finance function, and also to act as Company Secretary.

You will have at least 10 years relevant experience, and your recent employment must include the 'hands-on' management of a finance department in a significant manufacturing company. This will ideally have produced components or small sub-assemblies in relatively high volumes, and will probably have been a subsidiary of a US parent.

Practical experience of US accounting and reporting practices is essential, and you must be thoroughly competent in tax and treasury matters, in addition to your general accounting skills. You will ideally have had involvement in pension matters and will certainly be computer literate.

You have an outgoing personality and will see yourself as a leader, not just a manager, of the 30 plus staff for whom you will be responsible.

This is an excellent opportunity to join a truly multinational organisation with an enviable growth record. Reporting to the General Manager of the UK company, you will be a key member of the management team and will share in their high level of freedom to shape the future of the business and ensure its continued success.

The attractive salary and fully expensed executive car will be augmented by a comprehensive benefits package. Our client is a 'non-smoking' company.

In the first instance please apply in writing to Loraine Pemberton at the address below, enclosing your CV and explaining concisely how you meet the above requirements.

IAC ADVERTISING & COMMUNICATIONS

263a Chiswick High Road • London • W4 4PU • Telephone 081 994 2605

FINANCIAL CONTROLLER

to £75,000 + benefits **City**

Our client is one of the leading firms of solicitors in London with several international offices. It offers a comprehensive range of legal services to both large and small clients, in a wide range of different sectors. Although the firm is well established it is also one of the most progressive with a distinctive approach to its clients' problems.

A Financial Controller is now required, to be responsible to the Director of Finance and Administration, for the management of the Finance function which has about 15 staff. Duties include provision of a comprehensive management information service to the firm, and also involve partnership secretarial services, ongoing development of computer systems, tax, undertaking special projects and liaison with auditors, bankers and other professional advisors.

Candidates for this position are most likely to be qualified graduate accountants aged 35 to 50 years. Experience in staff management in a senior financial position in a professional partnership, preferably legal, is essential as is the ability to apply conceptual thinking to a wide variety of financial problems.

The attractive remuneration package includes the normal range of benefits commensurate with a position of this seniority.

Please send your career and current salary details, together with a daytime telephone number, to Richard Brasher at the address below:

MKA MANAGEMENT CONSULTING LIMITED
Tectonic Place, Holyport Road, Holyport,
Maidenhead, Berks SL6 2YE
Telephone: 0628 798015
Fax: 0628 798138

MKA

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Experience Eastern Europe

DHL WORLDWIDE EXPRESS®

DHL, a private company, is the world's leading air express delivery company. It provides timely deliveries of time sensitive documents and packages to nearly 70,000 towns and cities. With the addition of only a few more countries, DHL will have achieved total world-wide coverage.

For their rapidly expanding Eastern European operations, they are keen to recruit the following:

Finance Director - Bulgaria.

A qualified Accountant with a high level of commercial awareness to head up the finance function.

Financial Controller - Poland.

A recently qualified Accountant with fluent Polish.

Chief Accountant - Czechoslovakia.

Qualified Accountant with 2 years post-qualification experience, ideally with fluent Czechoslovakian.

Salaries range between U$24,000 to U$28,000 tax free and benefits include; a generous housing allowance, fully expensed car plus flights home.

These are challenging and exciting opportunities with a dynamic fast growth organisation.

Please send CV to Jacque Field, Douglas Llambias Associates Limited, 410 Strand, London WC2R 0NS or fax your CV to 071 379 4820, quoting reference FT28592.

EDINBURGH 031-225 7744
GLASGOW 041-226 3101
LONDON 071-836 9501
MANCHESTER 061-236 1553

DOUGLAS LLAMBIAS
RECRUITMENT CONSULTANTS

Finance Manager
NW London c£25,000

Regent's College is an ambitious privately funded undergraduate centre implementing innovative, yet carefully focused plans to capitalise on its deserved reputation for providing an imaginative range of courses which encourage wider participation and high achievement. Recognising that strong management skills and financial expertise are central to its future success, Regent's College wishes to recruit a commercially-orientated accountant to assist in constructing a financial framework compatible with long-term objectives.

Reporting to the Director of Finance, you will manage and motivate a small accounting team and spearhead the development of controls and procedures which ensure the integrity of the organisation's accounting systems. Liaising with a variety of staff within and outside the finance function, you will be responsible for raising the department's profile, producing a range of financial and management information aimed at facilitating decision-making throughout the College.

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INTEREXEC PLC - means much more

Russia seeks credits to boost gas production

By John Lloyd in Moscow

RUSSIA IS set to boost its production of gas and of oil products by returning to the Soviet method of attracting huge foreign credits for investment in infrastructure.

Mr Boris Yeltsin, the Russian president, has signed a decree authorising the state holding company Gasprom to raise up to $8.7bn in foreign credits between 1992 and 1998. The hard currency earnings from gas exports would be used to repay the debts.

Further decrees authorise the raising of unspecified amounts of credits for investment in refineries and petrochemical plants. The official news agency ITAR TASS said these decrees followed the appointment of Mr Victor Chernomyrdin as the new energy minister, following the sacking of Mr Vladimir Lopukhin from the post.

The decrees seem to indicate a turning away from a proposed strategy of attracting foreign energy companies as partners and investors – instead returning to the practice followed especially in the 1970s of borrowing heavily from foreign banks and governments for industrial investments. The credits raised will go to the refurbishing of pipelines and the construction of new refineries. Oil refineries will be issued export quotas, the proceeds from which will be used to repay the loans.

The total Soviet output of gas in 1991 was estimated at 810.5bn cubic metres, or 40 per cent of the total world output. Much of that is exported on long term contracts to Europe, especially to Germany.

Russia's share of the total last year was 642.9bn cu m, a slight rise on previous years. The gas industry, which Mr Chernomyrdin headed as a Soviet minister, has avoided the plunging output which has marked the oil sector.

However, in an effort to conserve supplies and to divert more to the export market, Mr Yeltsin has also decreed that industrial consumers and power stations will take a 10 per cent cut in gas supplies between June and October of this year.

Food from Britain calls for orchard aid

By David Blackwell

GOVERNMENT HELP in expanding British orchards in order to take up demand at present satisfied by imported apples would reap rich rewards, according to a report published yesterday.

Food from Britain, which promotes British products both at home and abroad, said that the trade gap in fruit last year accounted for £1.7bn of the £5.5bn food and drink trade deficit. While much of the imports are accounted for by products such as bananas and citrus fruit, £500m-worth is accounted for by fruit that can be grown in the UK, and almost half of it by apples.

The UK is only 45 per cent self sufficient in fruit that can be produced here, and consumption is increasing. But investing in a new orchard is risky, the report points out. Apples take several years to reach commercial productivity after new plantings, giving a period of negative cash flows and probably high borrowings. An added danger is that after five years the chosen crop could have lost its appeal to consumers or been overtaken by other market entrants.

However, the net return from the national deficit would be well above the amount of investment needed if production was expanded. FFB believes an investment of £100m would yield about £145m every year for at least 10 years. If the government were prepared to give planting grants of £30m over 13 years, or about £2.4m a year, the trade deficit in apples over the lifetime of the new orchards would be reduced by almost £1bn.

Mr Paul Judge, FFB chairman, called yesterday for a national strategy for fruit. He suggested that a levy on all UK producers of between 1 and 2 per cent of turnover would enable better promotion of their produce. He also called for a reduction in the number of marketing organisations involved in fruit. Most of the UK's 45 producer co-operatives had sales of less than £5m, he pointed out, suggesting that only a handful had reached the critical mass necessary to match the needs of supermarkets, which accounted for almost half all fresh fruit sales.

Italian call for CAP reform delay refused

By David Gardner in Brussels

MR GUILIO Andreotti, Italy's caretaker prime minister, has received a dusty reply to his request that ratification of last month's Common Agricultural Policy reform be held up so that the Lisbon summit later this month can discuss Italian milk quota demands.

Mr Andreotti wrote to Mr Jacques Delors, the European Commission president, and Mr Anibal Cavaco Silva, prime minister of Portugal, the current EC president on May 30, asking for the legal implementation of the CAP reform to be taken off the agenda at the next agriculture ministers meeting on June 15-16.

At a time when the EC has been plunged into crisis by Denmark's rejection of the Maastricht treaty, the Italian premier's veiled threat to invoke national interest – the so-called "Luxembourg compromise", whereby the rest of the 12 would desist from forcing unacceptable measures on one of their partners – over illicit milk output has caused great anger.

Approval of the radical reform, which took 18 months of negotiation, was held up two weeks ago because Italy wanted to validate retrospectively the 2.5m tonnes of milk it produces in addition to its allotted quota. Farm ministers voted the reform through over Italy's objections.

Mr Delors yesterday replied to Mr Andreotti's rather curt letter by saying "this factor has nothing to do with the Lisbon summit. . . I know there is a problem for Italy but this has got to be resolved in another place".

Aides to Mr Ray MacSharry, agriculture commissioner and political architect of the CAP reform, said "farmers have already waited too long for CAP reform. They need certainty and they need to start sowing in August". Mr Cavaco Silva has yet to reply formally, but is understood to be hostile to any delay, particularly as the CAP package is the only sizeable feather in the cap of the Portuguese presidency, which runs to the end of June.

Tin output down

MALAYSIA'S TIN concentrate production fell to 4,016 tonnes in the first quarter of 1992 from 5,826 in the same 1991 period, the Statistics Department said, reports Reuter from Kuala Lumpur. March output was 1,321 tonnes, down from 1,831 in March 1991 but up from 1,075 tonnes in February.

Golden Road back on Uzbekistan trade map

Laura Le Cornu on one of the former Soviet Union's leading gold producing regions

THE ANCIENT Golden Road, one of the east-west trade routes across Central Asia until the 16th century, is back on the trade map for profit takers. Competition for gold reserves buried under the dusty steppes of the Zerafshan valley in the former Soviet Republic of Uzbekistan has begun.

The Central Asian republic is supplying nearly a third of all production since the collapse of the union. Uzbekistan assumed control of its own gold in September last year, ending Russian domination of its rich mineral resources since the 19th century.

The republic signed a joint venture agreement for gold production with the US Newmont Mining Corporation in March. The $75m venture marks the first foreign investment in its gold industry, which produces about 70 tonnes annually. The Denver-based US mining company aims to process about 10 tonnes of gold this year.

"We are highly developed in the field of mining, foreign investment has not been necessary before," said Mr Sadiq Safayev, first deputy at the Foreign Affairs Ministry. "But we have sought Western assistance for this particular field of extraction."

'I am sure if the government provides the necessary technology, we shall be one of the greatest gold producers in the world'

The republic is moving to encourage Western investment in order to develop its backward industrial base. Under legislation introduced last year, foreign investors are entitled to a two-year tax holiday, and free repatriation of hard currency.

Gold is not the only resource the republic possesses; it is poised to make a major impact on world commodity markets with its cotton production, and following a large oil blow-out in March, will soon have its own crude. But gold tops the list and is far more easily transported from the land-locked republic, which at the mercy of the freight vicissitudes plaguing the Commonwealth of Independent States following the breakdown of the old Soviet networks.

"Uzbekistan's richest resource is gold", says Mr Valeri Nicholayaivich, director of the republic's gold refinery at Zerafshan, where the ore extracted from the nearby Besapan mine is processed. "It will definitely help Uzbekistan to pull out of the economic chaos now paralysing the former Soviet republics."

Yet a life-size portrait of Lenin still stands tall at the 25-year-old refinery complex, located in the Kyzyl Kum (Red Sand) desert, 25 km (15 miles) outside the town, where the modern quarter, predominantly populated by ethnic Russians, was created in the early 1960s to support the gold mining industry.

More than 3,000 employees, an ethnic mix of nearly 70 nationalities, including Uzbeks, Russians, Kazaks and Khirgiz, are employed at the refinery. "Under the Soviets, high salaries were offered to people to work here. This is why I came," said Mr Nicholayaivich, a Ukranian mining engineer, who began working at the refinery almost as soon as it was commissioned.

"If you work hard, then the economy will thrive", reads a Russian language sign, which hangs outside the building, sealed off to outsiders, where the final stage of gold refining process takes place.

Pointing to a conveyor belt sprawling up the hillside of the 300-metre mine, Mr Nicholayaivich says modern Soviet-made technology and equipment are utilised at Besapan. Moscow paid about 5 roubles for a gram of gold, compared with about $12 on the world market.

Mr Nicholayaivich says gold reserves have been discovered in three nearby areas in Murutau valley. "I am sure if the government provides the necessary technology, we shall be one of the greatest gold producers in the world," he claims.

Indeed, Uzbek officials are reluctant to reveal statistics of total gold reserves, which they say are "state secrets". Yet, the authorities stress the high quality of the republic's output. According to Mr Nicholayaivich: "It is the purest, consisting of 99.999 per cent pure gold."

NZ fish industries enjoy a bumper year

Higher exports and a weaker currency have helped to boost profits, writes **Terry Hall**

NEW ZEALAND achieved a bumper harvest from its fishing and fish processing industries last year, as well as from the farming of mussels, salmon, oysters and scallops. The Fishing Industry Board says that total catch was worth $NZ1.1bn (£325m) in the year to December 31, while export returns rose by 28.4 per cent to a record NZ$961.2m.

Mr Ray Dobson, the board's chief executive says the export sector is continuing to perform strongly and will be a NZ$2bn-a-year industry by the year 2000.

A number of factors came together to enable the industry to achieve a sharp improvement from 1990, when it encountered difficulties because of low international fish prices and a very high New Zealand exchange rate.

The industry's export competitive index shows that as the exchange rate fell export prices rose. This coincided with a period of white fish shortages in world markets, increasing prices. Input prices also dropped. In its annual review, released May 28, the board says that the exchange rate will continue to have a dominant effect on the industry, but the medium term outlook is for the present favourable conditions to continue as the currency remains low, world demand strong and domestic inflation low.

A sharp rise in the value of hoki, a deep sea white-fleshed fish, played a key role in the bumper year, becoming the industry's top earner for the first time with earnings up 126 per cent to NZ$156m. Exports rose to 49,202 tonnes from 33,961 tonnes in 1990 and returns per tonne were up 56 per cent to NZ$3,176. The board says the rise was in part due to further processing in New Zealand. While the volume of whole frozen hoki exported fell 35 per cent, the value of frozen fillets sent overseas was up 50 per cent. Nearly 60 per cent of the hoki went to the US, one of the highest paying markets. The board says that the rising demand there is due to promotional work and the shortage of cod, America's favourite white fish.

The Fishing Industry Board says the medium term outlook is for the present favourable conditions to continue

Orange roughy fell to second place in exports. The volume was down 14 per cent to 14,349 tonnes, although this was worth only 4 per cent less at NZ$138.6m as the average export price rose from NZ$8,671 to NZ$9,657 a tonne. Most was shipped to the US. The board says the outlook is promising as demand from the restaurant trade is expected to lift as the American economy comes out of recession.

Total exports of rock lobster, or crayfish, rose substantially. While the total volume rose only 5 per cent, Receipts were up 22 per cent to NZ$101.8m, and average returns rose from NZ$30,403 a tonne in 1990 to NZ$35,941. Japan remained the largest market for rock lobster, taking 60 per cent by value. Much of this was sent live. The US bought substantial quantities of frozen tails.

Concern has been growing about overfishing of rock lobsters. It is estimated that illegal catches account for an extra 27 per cent above the officially authorised quantities that can be taken.

Mr Dobson believes, however, that the new management plan worked out between the government and the industry last year will promote a stock recovery that will allow the rock lobster industry to enhance its position as a major export earner. This plan agreed with recreational fishing interests and Maori and conservation groups, has set new rules on the size of females that may be caught, and on the netting size of pots to permit undersized specimens to escape.

Snapper exports had a disappointing year, with both volume and value remaining more or less static. Export volume was 6,604 tonnes, down slightly from 6,729 tonnes in 1990, and exports were worth NZ$51.5m, compared with NZ$49.4m. Most went to Japan, which took growing quantities of live fish. Australia was another important market.

Squid exports fell sharply to 25,507 tonnes, compared with 33,981 tonnes in 1990, which was itself a very low figure. However the value rose slightly from NZ$41,877 to NZ$51,821 a tonne. Mr Dobson says, however, that the outlook for squid fishermen is brightening. Catches are expected to rise in response to a new management plan and a "cyclic" change in returns is expected over the next two years.

Fish farming continued to thrive. Total export earnings rose 27 per cent last year to NZ$99.3m, 7.2 per cent of the total for all seafood exports. Volume rose to 13,813 tonnes. There was a dramatic increase in exports of Greenshell mussels, the internationally copyrighted name carried by the New Zealand product. Overseas sales rose last year to 10,654 tonnes, worth NZ$42.1m, a 23 per cent rise on 1990. The review said that this growth showed the potential that existed and could also be applied to a wide range of other species, including products such as scallops, farmed lobsters, paua, prawns, snapper, shrimp and crabs. Extensive research, with some successes, is being undertaken to find ways to farm these species.

It is estimated that last year 43,600 tonnes of Greenshell mussels were produced, including about 33,000 tonnes in the Marlborough Sounds and 10,000 tonnes in the Coromandel. That was at 22.5 per cent rise on the 1990 figure, which in turn was 17 per cent up on 1989.

Last year 2200 tonnes of Pacific oysters were produced, a rise of 10 per cent. Exports were worth NZ$7.4m.

New Zealand exported 2,350 tonnes of salmon last year, earning NZ$20m, up from NZ$14.1m in 1990. While substantial increases in world supplies of farmed salmon are expected, New Zealand has secured important niche markets with top quality products, the board says, and it expects this to stand it in good stead in the years ahead.

Japan is New Zealand's biggest market for seafood in both volume and value. Exports last year totalled 77,765 tonnes, worth NZ$390m. The US was second taking 35,619 tonnes, up 22 per cent on 1990, worth NZ$253.7m. Exports to Australia were worth NZ$102m, while the Republic of Korea was in fourth place with purchases worth NZ$67.9m, up from NZ$35.4m. Other important Asian markets were Hong Kong, Singapore, Thailand, while in Europe Britain and France were substantial customers.

WORLD COMMODITIES PRICES

MARKET REPORT

Fund buying and short covering in **LEAD** took the three-month price on the LME up through £310 a tonne, triggering buy stops and lifting the market to a high of £317 before profit taking pared gains. Traders said there appeared no fundamental reason for the rise. Prices are expected to drift back to around £310 to probe for any follow-up buying to support the rise. **COPPER**, after a brief period of consolidation following three-month metal's recent break from the $2,230 to $2,240 a tonne range, made further gains as Comex began to break through overhead resistance levels. But a firmer pound against the dollar restrained the sterling price. Three-month **ZINC** fluctuated narrowly around $1,255 a tonne during the afternoon - a level which some traders said should be providing resistance, having been broken as a support level on Wednesday. Traders said the driving force remains the backwardation which ended the day up $19.50 at $170. New York's July raw **SUGAR** price reached 10.22 cents a lb by midday on strong fund buying, technical factors and talk of a pick up in demand for white sugar. London sugar prices took heart from New York's strength.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$18.80-8.85y	-.075
Brent Blend (dated)	$21.05-1.10	-.125
Brent Blend (Jul)	$20.95-1.05	-.125
W.T.I (1 pm est)	$22.30-2.35	-0.15
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$235-237	
Gas Oil	$186-187	-2
Heavy Fuel Oil	$84-88	-1
Naphtha	$184-185	-1.5
Petroleum Argus Estimates.		
Other		+ or -
Gold (per troy oz)♣	$338.55	-0.95
Silver (per troy oz)♣	407.5c	-1.5
Platinum (per troy oz)	$372.05	-4.20
Palladium (per troy oz)	$79.60	-0.50
Copper (US Producer)	106.57c	-0.08
Lead (US Producer)	37.0c	
Tin (Kuala Lumpur market)	15.94r	-0.05
Tin (New York)	296.5c	+0.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	110.59p	-1.23*
Sheep (live weight)†♣	97.96p	+2.72*
Pigs (live weight)†	91.84p	+0.46*
London daily sugar (raw)	$248.5t	+1.0
London daily sugar (white)	$297.0t	+1.0
Tate and Lyle export price	£245.5	+1.0
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£149.0z	
Wheat (US Dark Northern)	Unq	
Rubber (Jul)♥	52.75p	
Rubber (Aug)♥	52.75p	
Rubber (KL RSS No 1 Jul)	219.5r	
Coconut oil (Philippines)§	$800.0t	+5.0
Palm Oil (Malaysian)§	$390.0y	+2.5
Copra (Philippines)§	$395	
Soyabeans (US)	£152.0t	
Cotton "A" Index	62.10c	
Wooltops (64s Super)	418p	-6

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Jun/Jul y-July w-Apr z-Jun. q-May. †Meat Commission average fatstockprices.* change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Aug	226.00	222.80	225.00	222.00
Oct	216.40	211.00	215.00	210.00
Dec	205.00	200.00	197.80	
Mar	206.40		204.80	
White	**Close**	**Previous**	**High/Low**	
Aug	293.80	289.80	293.00	289.00
Oct	274.00	270.60	273.10	269.00
Dec	272.50	268.00	271.50	267.00
Mar	277.00	273.10	276.50	271.90
May	280.90	276.60	276.30	275.40

Turnover: Raw 417 (169) lots of 50 tonnes. White 2113 (2171)
Paris- White (FFr per tonne): Aug 1597.13 Oct 1499.74

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Jul	21.04	21.07	21.13	20.94
Aug	20.95	20.96	21.01	20.85
Sep	20.83	20.85	20.89	20.78
Oct	20.68	20.75	20.80	20.69
Nov	20.65	20.67	20.70	20.65
Dec	20.50	20.61	20.58	20.50
IPE Index	21.07	20.75		

Turnover 13000 (32505)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Jun	186.00	187.50	186.50	185.25
Jul	187.00	188.25	187.75	186.00
Aug	189.00	190.00	189.25	188.50
Sep	191.00	191.75	191.25	190.50
Oct	193.25	193.75	193.25	192.50
Nov	195.00	195.50	195.25	194.25
Dec	196.00	196.75	196.25	195.25

Turnover 13762 (10668)lots of 100 tonnes

FRUIT AND VEGETABLES
SPANIA, French and Italian peaches are available this week at 20-30p each (10-30p), reports FFVIB. Other good fruit buys include Spania apricots at 70-90p a lb (70-90p) and South American mangoes at 85p-£1.00 each (85p-£1.00). English strawberries at £1.70-1.90 a lb (£1.40-1.80) are plentiful. This week Primo cabbage is the best vegetable buy at 40-45p each (40-45p). June heralds the start of the new season carrot crop with homegrown and French supplies at 25-35p a lb (25-35p). Other good salad buys include English, Dutch, Guernsey and Canary Island tomatoes at 50-70p a lb (60p-£1.00) and watercress at 30-45p a bunch (30-45p)

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Jul	546	546	548	542
Sep	568	568	571	565
Dec	602	603	606	600
Mar	632	632	636	629
May	652	653	652	651
Jul	672	673	673	672
Sep	694	693	692	690
Dec	730	720	719	

Turnover: 3695 (5426) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 3 687.32 (691.08) 10 day average for Jun 4 696.17 (699.06)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low	
Jul	703	710	712	698
Sep	725	730	732	721
Nov	744	751	752	743
Jan	763	769	763	760
Mar	780	785	783	779
May	796	798	803	

Turnover:1551 (1945) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jun 3: Comp. daily 49.05 (48.93) 15 day average 50.09 (50.06)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Jun	30.0		30.0	
Apr	90.5	92.0	90.3	88.4

Turnover 112 (127) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Aug	125.00	125.00	125.00

Turnover 25 (316)lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
Jun	1100	1121	1110	1100
Jul	1023	1040	1030	1020
Aug	1040	1055	1045	1036
Oct	1160	1160	1160	1150
Jan	1205	1210	1205	1200
BFI	1237	1249		

Turnover 287 (431)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Jun	124.45	124.10	124.60	124.45
Sep	110.45	110.15	110.45	110.25
Nov	113.70	113.40	113.70	113.50
Jan	117.25	117.05	117.30	117.25
Mar	120.45	120.10	120.45	120.20
May	123.35		123.40	123.35
Jun	124.65	124.66	124.70	124.65
Barley	**Close**	**Previous**	**High/Low**	
Sep	107.60	107.20	107.60	107.50

Turnover: Wheat 429 (177) , Barley 2 (32).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low	
Jun	119.0	119.0	119.8	118.5
Jul	111.8	111.0	111.0	110.5
Aug	105.0		104.0	103.0

Turnover:27 (5) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)				Total daily turnover 28,281 lots		
Cash	1305-6	1309-10		1308-8.5		
3 months	1330-1	1335-6	1338/1329	1334-4.5	1332-3	159,276 lots
Copper, Grade A (£ per tonne)				Total daily turnover 23,652 lots		
Cash	1226.5-7	1230-1	1234.5/1234	1234.5-5		
3 months	1252-2.5	1258-8.5	1260/1252	1260-0.5	1259-9.5	102,438 lots
Lead (£ per tonne)				Total daily turnover 5,765 lots		
Cash	308-7	295.5-6.5		294-5		
3 months	315-6	307-8	317/308.5	306-6.5	313-5	17,128 lots
Nickel ($ per tonne)				Total daily turnover 4,698 lots		
Cash	7287-92	7345-55	7280	7280-5		
3 months	7370-80	7440-5	7440/7366	7368-70	7375-80	21,800 lots
Tin ($ per tonne)				Total daily turnover 1,588 lots		
Cash	6435-40	6400-5		6425-30		
3 months	6468-70	6440-5	6480/6360	6455-60	6440-50	5,839 lots
Zinc, Special High Grade ($ per tonne)				Total daily turnover 19,922 lots		
Cash	1420-5	1409-11	1440	1440-2		
3 months	1252-3	1259-60	1258/1241	1256-7	1257-8	57,020 lots

LME Closing £/$ rate: SPOT: 1.8255 3 months: 1.8000 6 months: 1.7734 9 months: 1.7537

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	338.35-338.75	
Opening	338.80-339.40	
Morning fix	338.65	186.461
Afternoon fix	338.40	185.679
Day's high	339.00	
Day's low	338.15	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.50	6 months	3.45
2 months	3.50	12 months	3.55
3 months	3.50		

Silver fix	p/troy oz	US cts equiv
Spot	223.40	406.10
3 months	228.85	410.00
6 months	234.25	414.15
12 months	245.45	424.65

GOLD COINS (Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	338.50-339.50	185.75-186.50
Maple leaf	349.00-350.00	191.75-192.25
New Sovereign	83.00-84.00	45.50-46.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
1200	118	129	3	3
1300	30	48	12	19
1400	3	9	82	79
Copper (Grade A)	**Calls**		**Puts**	
2100	162	167	3	3
2200	65	81	3	13
2300	6	25	43	56
Coffee	**Jul**	**Sep**	**Jul**	**Sep**
650	54	82	1	7
700	18	46	13	21
750	2	22	49	47
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
550	8	34	12	16
575	2	21	31	28
600	0	13	54	45
Brent Crude	**Jul**	**Aug**	**Jul**	**Aug**
2050	55	78	6	23
2100	21	53	23	39
2150	7	35	63	58

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jun	338.6	338.7	339.3	338.5
Jul	339.5	339.6	0	0
Aug	340.5	340.6	341.2	340.3
Oct	342.5	342.5	343.1	342.3
Dec	344.6	344.6	345.0	344.5
Feb	346.9	346.9	0	0
Apr	349.2	349.2	0	0
Jun	351.7	351.7	0	0
Aug	354.4	354.4	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	373.0	375.0	374.3	369.7
Oct	377.6	379.2	379.0	374.5
Jan	378.9	378.3	378.5	375.0
Apr	376.7	378.1	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jun	407.5	405.8	405.5	405.5
Jul	408.3	406.8	408.5	405.5
Aug	410.1	408.6	0	0
Sep	411.4	409.9	411.5	409.0
Dec	416.2	414.7	416.5	414.0
Jan	417.8	416.4	0	0
Mar	421.5	420.0	422.0	421.5
May	425.2	423.7	0	0
Jul	428.9	427.4	0	0
Sep	433.2	431.7	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	104.60	102.05	104.60	102.80
Jul	104.40	102.10	104.50	102.30
Aug	104.25	102.15	103.65	102.30
Sep	104.00	102.10	104.00	102.30
Oct	103.70	102.10	103.70	102.80
Nov	103.70	102.15	0	0
Dec	103.85	102.15	103.85	102.50
Jan	103.60	102.00	103.00	103.00
Feb	103.35	101.85	0	0
Mar	103.15	101.70	103.00	102.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	10.34	10.03	10.36	9.86
Oct	9.61	9.44	9.64	9.38
Mar	9.44	9.28	9.47	9.27
May	9.39	9.21	9.37	9.22
Jul	9.27	9.17	9.28	9.18
Oct	9.14	9.05	9.13	9.13

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jul	22.38	22.43	22.46	22.28
Aug	22.33	22.37	22.40	22.22
Sep	22.20	22.28	22.29	22.11
Oct	22.09	22.18	22.15	22.00
Nov	21.97	22.06	22.06	21.92
Dec	21.88	21.94	21.92	21.82
Jan	21.72	21.81	21.80	21.70
Feb	21.55	21.68	21.63	21.55
Mar	21.50	21.56	0	0
Apr	21.38	21.42	0	0

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jul	6070	6081	6080	6030
Aug	6115	6130	6125	6080
Sep	6225	6241	6230	6195
Oct	6320	6334	6330	6290
Nov	6415	6427	6430	6385-
Dec	6490	6509	6510	6475
Jan	6515	6524	6525	6485
Feb	6390	6394	6400	6350
Mar	6160	6159	6175	6140
Apr	5930	5949	5940	5930

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	853	861	872	851
Sep	899	907	915	898
Dec	953	959	969	962
Mar	1002	1008	1015	1001
May	1029	1040	1029	1029
Jul	1057	1064	1070	1057
Sep	1086	1093	1100	1097
Dec	1121	1128	1136	1135

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	61.60	61.95	62.10	60.90
Sep	63.80	64.00	64.15	63.00
Dec	66.50	66.85	66.80	65.90
Mar	69.50	69.65	69.35	68.60
May	73.70	73.70	73.70	73.00
Jul	75.80	76.25	76.00	76.00
Sep	77.65	78.15	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	58.58	58.88	59.25	58.20
Oct	59.58	60.08	60.25	59.50
Dec	59.61	60.05	60.15	59.15
Mar	60.80	61.23	61.30	60.50
May	61.37	61.73	61.73	61.35
Jul	61.77	62.03	62.00	61.60
Oct	60.77	61.50	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	132.80	131.26	132.90	130.40
Sep	125.26	124.45	125.50	123.70
Nov	118.25	118.20	119.00	117.60
Jan	116.50	116.60	117.25	116.40
Mar	116.25	116.20	116.00	116.00
May	116.50	115.70	0	0
Jul	116.25	115.70	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jun 4	Jun 3	mnth ago	yr ago
1595.3	1594.6	1576.7	1738.9

DOW JONES (Base: Dec. 31 1974 = 100)

	Jun 3	Jun 2	mnth ago	yr ago
Spot	117.28	117.17	116.07	129.91
Futures	118.68	118.65	118.29	127.55

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	619/6	621/4	626/4	616/0
Aug	622/6	625/6	630/0	620/0
Sep	629/2	630/2	635/0	625/0
Nov	635/4	637/2	640/4	631/0
Jan	642/4	645/2	648/0	639/4
Mar	649/0	652/6	654/4	647/0
May	653/0	653/0	657/0	650/0
Jul	652/0	653/4	658/0	651/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	21.75	21.82	21.92	21.62
Aug	21.86	21.94	22.04	21.76
Sep	22.08	22.16	22.24	21.98
Oct	22.20	22.32	22.32	22.13
Dec	22.45	22.56	22.63	22.35
Jan	22.58	22.65	22.70	22.53
Mar	22.77	22.87	22.96	22.75
May	22.95	23.05	23.08	22.95

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	183.9	184.4	185.9	182.9
Aug	184.6	186.0	186.3	183.3
Sep	184.5	184.7	186.5	183.6
Oct	202.9	203.4	205.0	202.3
Dec	203.6	203.8	205.3	202.5
Jan	203.7	204.5	205.0	203.5
Mar	204.7	205.2	206.0	204.5
May	206.0	206.5	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	262/6	262/6	263/6	261/4
Sep	265/4	266/0	267/4	264/4
Dec	268/4	268/6	271/4	267/2
Mar	275/4	276/6	278/4	274/6
May	277/6	279/2	281/0	277/4
Jul	281/4	283/2	283/4	280/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	367/4	365/4	369/0	363/0
Sep	372/0	370/0	372/0	366/6
Dec	379/2	377/2	379/4	374/6
Mar	379/6	377/6	379/6	376/0
May	367/0	364/0	368/0	365/0
Jul	341/0	340/4	341/0	340/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	72.825	72.625	72.875	72.575
Aug	70.800	70.725	71.100	70.700
Oct	70.050	69.575	70.175	69.650
Dec	69.775	69.225	69.775	69.250
Feb	69.525	69.050	69.600	69.050
Apr	70.875	70.375	70.900	70.350

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	47.600	47.525	47.800	47.600
Jul	45.500	45.450	45.900	45.350
Aug	42.875	42.800	43.100	42.800
Oct	39.775	39.650	40.000	39.750
Dec	42.900	42.825	43.000	42.750
Feb	43.775	43.750	44.050	43.750
Apr	42.750	42.775	42.775	42.700

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	34.050	33.100	34.225	33.250
Aug	31.825	31.050	31.975	31.250
Feb	44.700	44.200	44.800	44.175
Mar	44.200	43.550	44.200	43.800
May	45.000	44.600	45.000	44.950
Jul	46.000	46.000	0	0

LONDON STOCK EXCHANGE

Topic problem blindfolds the market

By Terry Byland, UK Stock Market Editor

A VOLATILE if eventually successful recovery in London equities from this week's shocks on the Maastricht front was confused yesterday by a prolonged breakdown in the Stock Exchange electronic information network. The lack of reliable price information drove the institutions to the sidelines for much of the day.

Equities closed little changed on the session with the FT-SE Index finally 1 point up at 2,681.9. But the session started badly when renewed selling of the FT-SE June futures contract from Europe, and also further losses in UK gilts, drove the stock market down by about 15 Footsie points.

At this stage, just after 9.00am, the Stock Exchange Topic system ran into software problems which left the market effectively without trading screens until late in the afternoon. Share prices were quoted on the screens, but on an "indicative basis", with the marketmakers left to negotiate with clients by telephone.

The confusion was all the greater because of the selling of the futures contract. Marketmakers struggled to arbitrage between futures and the underlying blue chip stocks. Investment clients, including the full range of institutional funds, tried to evaluate share prices which were changed during the course of telephone conversations.

The market steepened its fall, although most investors had no way of measuring its performance. Both institutional and private clients effectively abandoned trading, depriving marketmakers and brokers of the day's commission business, and tempers grew increasingly frayed.

Share price data and information was available to most stock market firms by means of direct digital links with the Stock Exchange, but not many investment clients have these. Further confusion was generated when it became clear that substantial blocks of shares in Midland Bank were changing hands as the market braced itself for the meeting of the Lloyds Bank board today – a meeting that could produce new developments in the battle for control of Midland.

By mid-session, genuine share trading was virtually at a standstill, and the market-makers were left to deal with one another as they arbitraged between the stock market and an index future which was at a discount to cash on several occasions.

However, a recovery set in when the Paris bond market, the immediate cause of Wednesday's upset in UK equities, rebounded strongly. UK Government bonds recovered from early losses which have ranged to around a full point and the stock index futures market quickly turned better. Much of this good news was lost on the average investor since the trading screens remained "indicative only" until barely 45 minutes before trading ended for the day.

The day's Seaq total of 505.9m shares compared very favourably with Wednesday's 475.6m, but these figures make no distinction between customer and intra-market business. Traders expect to see confirmation of a large fall in the customer business total, which will be disclosed today.

Account Dealing Dates

First Dealings:	May 11	Jun 1	Jun 15
Option Declarations:	May 21	Jun 11	Jun 25
Last Dealings:	May 22	Jun 12	Jun 26
Account Day:	Jun 1	Jun 22	Jul 6

*New-time dealings may take place from 9.00 am two business days earlier.

Midland in demand again

BUYERS returned to Midland Bank ahead of an eagerly expected statement today from Lloyds Bank, the counter-bidder for control of Midland. Enthusiasm also sprang from the sale of Midland's travel agency business and approval in the US for the Hongkong & Shanghai Banking (HSBC) bid. Despite the lower than normal client business, caused by a blackout of the electronic trading system, there were 18m shares dealt and the stock closed 10 up at 467p.

More than a third of the turnover was said to have reflected large agency crosses by broker James Capel, which has been buying on behalf of HSBC. Other investors were trading in the hope that Lloyds will today increase its bid to well above 500p a share. Also, HSBC announced that the US Federal Reserve Bank had given clearance for the proposed merger and finally Midland said it has agreed the sale of the historic Thomas Cook travel agency to LTU Group and Westdeutsche Landesbank Girozentrale of Germany for more than £200m. The sale had been expected but analysts said it was good for sentiment.

Dowty deals

The battle for control of aerospace and information technology company Dowty Group moved up a gear yesterday when S.G. Warburg, acting for predator TI Group, went into the market to acquire up to 10 per cent of Dowty, the limit allowed under UK takeover rules in the £525.7m bid.

Warburg was reported to have offered 189p a share for stock and the turnover of 50m shares by the close of business indicated that the broker had purchased the 24m shares for which it had gone shopping. The broker is believed to have acquired the number of shares it wanted by lunchtime and one institution was said to have sold half its holding in Dowty yesterday. Shares in Dowty improved 6 up at 182p, while TI added 7 to 364p.

Dowty is to report full-year figures today and the company has indicated profits for the year to March 1992 to be £22m, against £20m the previous year. There were suggestions in the market yesterday that current-year profits could exceed £50m.

Boots suffers

Reduced profit forecasts led to a fall in Boots, which lost 23 to 467p yesterday. This followed lowed disappointment at the company's results and speculation that it intends to spend £15m to £20m on marketing its Manoplax heart drug.

County NatWest cut its estimate for the 1992-93 by £4m to £402m, while Nomura reduced to £395m from £415m, and the average figure seemed to have dropped to around £400m.

Analysts also expressed concern about increased costs at Boots the Chemists retailing chain and said margins had not improved as much as expected. They added that, in the longer term, the main worry about the company was whether Manoplax and Boots retailing interests, other than pharmacies, would be able to carry the group forward.

Others said the profit figure of £369.5m, after stripping out property gains, was below expectations, and although the company had not done badly there was general weakness in several divisions, including pharmaceuticals which had a depressed second half.

Fisons failed to gain from a statement by Boots that it will take a look at the company's healthcare business, which Fisons wants to sell. Fisons shares were steady at 362p.

Kingfisher, the Woolworth and B&Q holding company remained out of favour, falling 10 to 535p, partly in sympathy with Boots and also in reaction to a gloomy statement at this week's annual meeting.

A higher oil price, predictions that the cost of Brent crude would continue to rise and a more positive attitude from US investment houses helped the oil majors.

Brent crude was firmly above $21.50 yesterday and technical analysts claimed that July oil futures on the International Petroleum Exchange in London were set to exceed $22 a barrel.

BP was up 3 at 271p with 11m shares traded. Salomon Brothers was said to be recommending the stock and Lehman Brothers raised its earnings per share forecast for 1992 by 2.7p to 15.8p and its 1993 figure by 4.6p to 16.5p. Lehman increased its forecast to reflect a raised projection for the average price of Brent crude; the house is now looking at $20.25 for this year and $21 for next year. Lehman analyst Mr Jeremy Hudson still had reservations about BP's fundamentals but believed the dividend was now secure. He takes a more positive line on Shell Transport which, he says, will be pulled up by the strength in Royal Dutch and still has a 10 per cent upside in the price. Shell picked up 5 to 512p.

An announcement that Standard Chartered is to receive $82m (£34.4m) from an out of court settlement in respect of a litigation claim failed to boost the shares. Standard is still overshadowed by its exposure to problems in the Bombay stock market and the shares merely held at 480p.

Among utilities Anglian Water gained 8 to 437p, as analysts decided it had changed its image for relatively low dividends, after being the first water company to provide dividend growth of over 10 per cent in this year's reporting season. Anglian reported profits of £171.3m for the year to March 31, compared with £152.5m, a rise of 12.3 per cent, and a climb in the full year dividend to 19.3p from 17.5p.

Property companies remained under a cloud, with MEPC slipping 15 to 315p. Builders merchant Norcros gained 17 to 148p as the company reported slightly higher profits of £15.6m, against £15.0m last year. Norcros said the second half showed particular improvement, benefitting from restructuring, and it was optimistic about increased economic confidence.

Tobacco shares weakened on fears about an anti-smoking ruling by the US Supreme Court. Rothmans "B" fell 18 to 1070p and BAT Industries gave up 15 to 795p.

Regional brewer Marston Thompson and Evershed rose 5 to 257p on news that the company had signed a reciprocal distribution agreement with Courage, the UK brewing arm of Fosters. This followed a similar deal announced between Marston's and Bass on Wednesday.

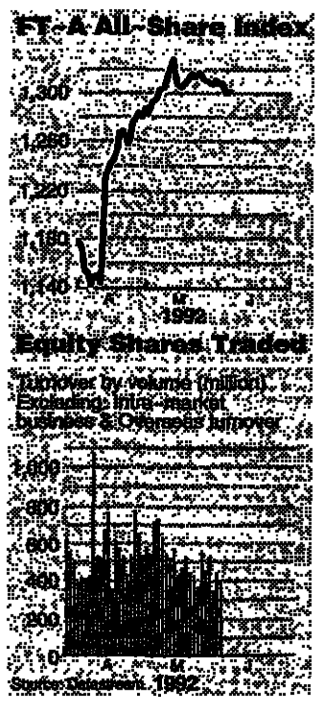
Realisation that it had been ignored recently helped Courtaulds. The chemicals group rebounded 13 to 585p after the chemicals team at Smith New Court pointed out at the morning conference that the shares were down by around 8 per cent over the past month.

The winning of a supply contract from Qatar boosted Vosper Thornycroft which improved 5 to 300p.

Lucas Industries retreated 6 to 137p, after James Capel weighed in with a profits downgrading.

MARKET REPORTERS: Peter John, Joel Kibazo, Colin Millham.

■ Other market statistics, Page 21



FINANCIAL TIMES STOCK INDICES

	June 4	June 3	June 2	June 1	May 29	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	88.90	89.10	89.58	89.58	89.62	83.73	89.62 (29/5)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	105.01	105.49	105.92	105.73	105.62	93.42	105.92 (2/6)	97.15 (2/1)	105.92 (2/6/92)	50.53 (3/1/75)
Ordinary Share●	2092.6	2090.7	2111.0	2104.7	2114.1	1974.1	2149.7 (22/5)	1851.4 (3/4)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	107.3	108.3	108.1	105.8	108.3	182.4	180.6 (10/1)	105.8 (1/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2681.9	2680.9	2705.9	2697.6	2707.6	2525.3	2737.8 (11/5)	2382.7 (3/4)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1231.36†	1234.62	1248.70	1241.59	1245.26	1188.91	1248.79 (11/5)	1120.52 (8/1)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord. Div. Yield	4.42	4.41	4.37	4.39	4.38	4.83				
●Earning Yld %(full)	6.47	6.46	6.40	6.43	6.39	8.43				
●P/E Ratio(Net)(☆)	19.34	19.39	19.55	19.48	19.58	14.67				
SEAQ Bargns 5.00pm	21,177	23,379	26,306	23,952	32,847	24,646				
Equity Turnover(£m)†	-	1005.6	1045.3	791.8	1238.7	802.54				
Equity Bargains†	-	26,836	26,013	26,505	36,578	24,157				
Shares Traded (ml)†	-	402.3	444.0	361.3	532.8	352.1				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 17.84 † Indicative

Ordinary Share Index, Hourly changes Day's High 2098.9 Day's Low 2076.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2093.9	2077.0	2079.5	2084.4	2086.6	2090.4	2090.5	2087.9	2090.0

FT-SE 100, Hourly changes Day's High 2683.6 Day's Low 2665.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2683.6	2668.6	2666.8†	2673.5†	2676.0†	2680.2†	2680.7†	2677.3†	2680.3

FT-SE Eurotrack 200, Hourly changes †Day's High 1233.52 Day's Low 1227.06

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1227.40	1227.26	1229.97	1230.27	1231.49	1233.48	1231.64

GILT EDGED ACTIVITY

Indices*	June 3	June 2
Gilt Edged Bargains	109.4	89.5
5 – Day average	91.3	87.0

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	424	493	+18
ASDA Group	11,000	32	+½
Abbey National	2,200	293	-4
Albert Fisher	131	74	+½
Allied-Lyons	784	657	+8
Amstrad	554	48	-1
Anglian Water	1,600	437	+8
Argos	630	256	
Argyll Group	3,100	353	+5
Arjo Wiggins	3,600	268	+2
Ass. Brit. Foods	232	442	-2
[illegible]			

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

A SUCCESSFUL bond auction in Paris helped to reverse falls in stock index futures which had seen the contract fall to trade at a discount to the cash market, writes Joel Kibazo.

The negative sentiment overhanging the June contract on the FT-SE on Wednesday continued in the early part of yesterday's session and the contract opened at an 8-point discount to the cash market, at 2,672.

Continued falls in the gilts and currency market only served to bring out more sellers. June had fallen to 2,657 within an hour and a half of the market's opening.

A feeling that the contract had been oversold, however, started to take hold mid-morning. This helped to steady June, preventing further falls before the news from Paris floated through to the London markets to help June not only regain lost ground but surge beyond its opening level.

Dealers reported sizeable spread trading - aggressive buying of June and selling of September. June closed at 2,687, up 7 and at around its fair value premium to cash of about 6. Turnover at 10,019 was again good.

Traded options turnover reached 26,353 lots with the FT-SE option trading 10,723 contracts. Hanson was the busiest stock option. It traded 1,459 lots with the November 240 calls the busiest series.

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday June 4 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1992 to date	Wed Jun 3 Index No.	Tue Jun 2 Index No.	Mon Jun 1 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (179)	892.10	+0.1	6.62	5.23	19.68	15.19	891.08	895.70	898.12	831.81
2	Building Materials (22)	1037.25	+0.3	5.33	5.71	26.03	19.03	1034.11	1044.00	1051.44	1060.33
3	Contracting, Construction (28)	986.44	-0.1	3.58	6.12	59.88	24.60	987.34	1001.31	1007.60	1278.86
4	Electricals (8)	2687.51	-0.3	6.41	5.74	20.26	68.82	2694.65	2711.33	2677.78	2414.56
5	Electronics (29)	1982.69	+0.3	9.04	4.29	14.03	7.29	1977.52	1985.96	1987.36	1751.81
6	Engineering-Aerospace (7)	385.47	+0.5	9.02	6.74	14.14	11.16	383.37	386.10	388.78	430.14
7	Engineering-General (44)	565.98	+0.1	7.44	4.21	16.69	8.24	565.40	561.29	561.62	446.27
8	Metals and Metal Forming (8)	363.25	-0.4	0.90	9.50	-	2.03	364.81	364.19	364.10	461.85
9	Motors (14)	388.12	-1.1	6.85	6.06	19.20	10.04	392.43	396.69	394.83	322.72
10	Other Industrial Materials (19)	1826.45	+0.3	6.78	4.54	17.76	33.79	1821.52	1832.35	1839.42	1522.19
21	CONSUMER GROUP (188)	1714.07	-0.2	7.11	3.36	17.24	20.48	1717.32	1737.01	1735.51	1484.29
22	Brewers and Distillers (24)	2214.16	+0.3	7.58	3.35	15.87	26.21	2206.90	2244.83	2243.52	1838.44
25	Food Manufacturing (17)	1281.05	+0.3	8.29	4.10	14.93	21.18	1276.68	1284.78	1281.71	1174.69
26	Food Retailing (18)	2932.58	+0.2	8.32	3.11	15.61	34.95	2927.77	2946.69	2941.70	2746.77
27	Health and Household (24)	4122.93	-0.7	6.69	2.57	17.04	35.91	4149.92	4214.58	4226.60	3521.80
29	Hotels and Leisure (20)	1405.12	+0.9	5.63	4.83	23.01	23.50	1392.59	1405.31	1401.54	1297.27
30	Media (25)	1646.47	-0.7	5.99	3.38	20.76	18.30	1658.28	1663.12	1653.51	1419.53
31	Packaging, Paper & Printing (17)	848.69	+0.1	6.11	3.89	19.88	11.84	847.46	851.24	849.26	695.72
34	Stores (33)	1079.84	-1.1	7.09	3.42	18.65	12.26	1091.95	1105.29	1102.87	914.29
35	Textiles (10)	732.70	......	6.27	4.24	20.11	12.44	732.43	738.22	738.76	533.97
40	OTHER GROUPS (116)	1333.78	+0.3	9.20	4.89	13.63	17.76	1330.41	1339.73	1332.14	1241.61
41	Business Services (17)	1510.41	+0.2	6.47	4.21	19.49	15.14	1508.06	1583.18	1493.07	1203.90
42	Chemicals (22)	1557.73	+0.4	6.85	4.68	17.90	31.75	1551.93	1557.99	1558.32	1395.21
43	Conglomerates (11)	1414.61	+0.5	9.13	6.71	13.68	23.62	1406.91	1428.75	1419.71	1520.83
44	Transport (14)	2694.11	+0.1	6.90	4.30	17.73	40.88	2691.82	2688.11	2681.17	2195.08
45	Electricity (16)	1334.36	+0.7	13.47	4.94	9.58	17.21	1324.61	1335.35	1322.84	1233.89
46	Telephone Networks (4)	1470.57	+0.8	10.42	4.43	12.52	16.02	1458.89	1476.50	1462.95	1485.05
47	Water (10)	2903.15	+0.6	14.89	5.68	7.43	19.52	2885.42	2882.30	2883.57	2392.58
48	Miscellaneous (22)	2105.67	-1.5	5.60	4.68	23.57	22.54	2138.47	2156.19	2141.87	1908.96
49	INDUSTRIAL GROUP (483)	1389.84	......	7.68	4.19	16.26	18.51	1389.74	1402.09	1399.70	1248.82
51	Oil & Gas (17)	2171.55	+0.9	6.98	6.55	18.81	63.69	2151.34	2165.14	2175.60	2395.66
59	500 SHARE INDEX (500)	1463.57	+0.1	7.61	4.44	16.49	21.93	1462.07	1474.70	1473.17	1346.58
61	FINANCIAL GROUP (86)	782.36	-0.4	-	5.80	-	19.04	785.38	789.03	779.56	787.76
62	Banks (9)	1007.08	-0.6	4.79	5.42	33.03	24.58	1012.90	1012.23	998.69	878.93
65	Insurance (Life) (6)	1513.11	-1.0	-	5.89	-	44.26	1527.75	1554.06	1531.68	1477.02
66	Insurance (Composite) (7)	551.68	+0.7	-	6.31	-	13.46	547.70	546.78	531.96	657.31
67	Insurance (Brokers) (10)	978.79	+0.8	7.94	6.67	16.58	25.92	971.34	997.38	994.77	1090.78
68	Merchant Banks (7)	514.04	......	-	4.14	-	8.56	513.94	514.28	513.45	420.86
69	Property (32)	686.21	-1.1	8.50	6.72	15.84	16.55	693.96	705.14	706.14	940.60
70	Other Financial (15)	267.31	......	6.81	6.50	19.92	4.34	267.28	266.66	267.16	281.53
71	Investment Trusts (69)	1244.73	-0.3	-	3.60	-	16.78	1248.69	1253.91	1250.77	1217.27
99	ALL-SHARE INDEX (655)	1300.37	......	-	4.58	-	20.88	1299.93	1310.39	1307.28	1211.93

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jun 3	Jun 2	Jun 1	May 29	May 28	Year ago
FT-SE 100 SHARE INDEX‡	2681.9	+1.0	2683.6	2665.2	2680.9	2705.9	2697.6	2707.6	2694.2	2525.3

FIXED INTEREST

	PRICE INDICES	Thu Jun 4	Day's change %	Wed Jun 3	Accrued Interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (25)	123.36	-0.02	123.37	2.71	4.62
2	5-15 years (24)	139.30	-0.03	139.34	2.82	5.45
3	Over 15 years (10)	152.17	-0.01	152.19	3.69	3.39
4	Irredeemables (6)	166.27	-0.43	166.99	1.15	6.35
5	All stocks (65)	136.99	-0.03	137.03	2.90	5.04
	Index-Linked					
6	Up to 5 years (2)	172.65	-0.03	172.71	0.68	1.83
7	Over 5 years (9)	153.34	-0.09	153.48	1.20	1.64
8	All stocks (11)	154.82	-0.08	154.95	1.12	1.65
9	Debs & Loans (63)	121.12	-0.19	121.35	1.89	5.48

	AVERAGE GROSS REDEMPTION YIELDS		Thu Jun 4	Wed Jun 3	Year ago (approx.)
	British Government				
1	Low	5 years	8.02	8.01	9.35
2	Coupons	15 years	8.93	8.90	9.94
3	(0%-7¾%)	20 years	8.93	8.91	10.08
4	Medium	5 years	9.19	9.18	10.47
5	Coupons	15 years	8.99	8.98	10.38
6	(8%-10¾%)	20 years	8.95	8.93	10.30
7	High	5 years	9.39	9.37	10.64
8	Coupons	15 years	9.20	9.18	10.54
9	(11%-)	20 years	9.14	9.12	10.42
10	Irredeemables	†	9.14	9.09	10.31
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.01	3.99	4.21
12	Inflation rate 5%	Over 5 yrs.	4.32	4.31	4.26
13	Inflation rate 10%	Up to 5 yrs.	3.31	3.29	3.35
14	Inflation rate 10%	Over 5 yrs.	4.14	4.13	4.07
15	Debs &	5 years	10.44	10.43	11.92
16	Loans	15 years	10.25	10.23	11.66
17		25 years	10.15	10.12	11.45

‡Opening index 2683.6; 9 am 2668.6; 10 am 2666.8; 11 am 2673.5; Noon 2676.0; 1 pm 2680.2; 2 pm 2680.7; 2.30 pm 2681.1; 3 pm 2677.3; 4.10 pm 2681.4; (a) 8.30am (b) 9.03am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS [illegible]

NEW LOWS [illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

BRITISH FUNDS - Cont.

[illegible]

OTHER FIXED INTEREST

[illegible]

[illegible]

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs h	17¾xc	-½	19⅛	17	7,415	1.9
♥Allegheny & W	303p	-6	395p	226p	157.5	5.8
Amdahl	673p	—	1159p	615p	975.1	0.6
Amer Cyanamid	32¼	—	37	31⅞	2,994	2.9
Amer Express	13⅜xd	+⅛	13⅞	10⅜	6,285	4.3
Amer T & T	22⅞xd	—	24⅞	20⅛	38,234	3.2
Ameritech	34⅛	—	36⅜	32½	14,913	5.8
BankAmerica	25⅛xd	+⅛	27⅛	19⅛	8,039	2.9
Bankers NY	31⅞xd	-⅛	37⅛	28⅞	2,585	6.8
Bell Atlantic	23⅝	-⅛	28¼	23⅛	16,170	6.2
BellSouth	26⅛	-⅛	29⅛	25	12,715	5.9
♥Bethlehem Steel	7⅝xd	+⅛	9⅝	7	582.4	—
Bowater	1246pxd	+9	1579p	1078p	449.8	5.4
CPC b	23⅞	—	25⅝	22⅛	3,875	2.8
♥Cadiz Land Inc	249p	—	342p	188p	—	—
California Engy	685p	—	833p	646p	124.7	—
Campbell Soup	18⅛	-⅛	23⅛	17⅛	4,577	2.4
Chase Manhattan	15½xd	+⅛	16½	9⅛	2,179	4.4
Chrysler	10⅛xd	+⅛	11⅛	8¼	3,197	3.1
Citicorp	10⅞xd	+⅛	11	5⅝	3,765	—
Colgate-Palm	29⅛xd	+⅛	29⅛	25⅛	4,636	2.0
Cont'l Bank	999p	—	1036p	499p	1,808	3.4
Dana	24⅛xd	+1⅛	24½	14⅛	991.8	3.7
Data General	454p	+7	1004p	431p	126.3	—
Dial	19⅛xd	-⅛	24⅛	18⅞	880.4	3.2
Dun & Brad	30⅛	+½	33½	27⅝	5,420	4.2
Eaton	45½	+⅛	48½	32½	1,588	2.7
Echlin	10⅛xd	—	11	7⅞	682.5	3.8
FPL	19⅛xd	-⅛	20	18⅛	3,241	7.2
Fluor	22¼xd	-⅛	27	21	1,844	1.0
Ford Motor	25⅝	+⅛	25¾	15	12,422	2.2
Gen Elect	41⅝xd	+⅛	48¼	40⅛	35,989	2.8

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

Notes	Price	+ or -	1992 high
■Rugby	219	+1	230
Russell (A)	99	—	106
‡SWP	6½	—	8
‡Sandell	24	—	31
St Gobain FFr	£238	-½	£261¼
Sharpe & Fisher	97	—	98
‡Shaw (A)	48	—	69
Sheffield Insuls	101	—	111
■Spong Ram	170	—	181
■Stanson	12½	+½	15
Steetley	485	—	603
■Tarmac	128	+1	161
‡Tilon †	170	—	170
■Travis Perkins	202	-1	228
‡Tudor	31	—	32
■Unigroup	17½	—	24
Ward Group ‡	88	—	91
■Wickes	88	+1	104
■Wilshaw	18¼	—	18¼
■Wolseley	438	-1	479
Worcester ♦	223	—	223

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

Authorised by the Inland Revenue

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Notes	Price	+or-	1992 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scot National Inc.	96xd	-½	107	93½	12.8	–	–
Cap	38	-1	42	12½	–	65.2	42.0
Stepped Pf	141	—	147¼	128	5.6	–	–
Zero Div Pf	186	—	186	166½	–	–	–
Warrants	8½	—	9	3½	–	–	–
Scot Value ‡	80½xd	—	84	48	3.8	83.2	0.3
Sec Alliance †	1254	-1	1288	1138	2.7	1289.4	9.7
Second Market	242	—	244	222	5.8	290.0	16.5
Sec Tst Scot	73½	-½	75½	63	4.8	75.4	2.6
Select Assets	96	—	102½	96	1.2	133.6	28.1
Eq Ind Sept	123	+1	123	109	4.5	–	–
Eq Ind Sept	123	+1	128	109	4.9	–	–
Shires	245	—	248	195	10.1	244.8	-1.3
11pc Cv Ln '03/04	£118½	—	£119½	£95½	9.5	–	–
Siam Select	77	—	91	77	1.8	86.7	10.0
Warrants	15	—	21	15	–	–	–
Smaller Cos	84	—	85	67	4.8	90.3	7.0
Warrants	19	—	29	10	–	–	–
Sphere Inc N	18	—	20	14½	27.8	29.6	38.9
Zero Div Pf	77¼	—	77¼	65¾	–	–	–
Warrants	0¾	—	3½	0¾	–	–	–
Stratton	167xd	—	168	147	1.4	192.4	13.2
Sumit	55	—	55	38	3.8	109.7	49.9
TR City of Lon M	125½	-1	127½	97½	5.1	121.9	-3.6
TR Euro Growth a	85	—	90	83	1.6	100.8	14.7
Ptg Sub s	50	—	54	50	2.7	–	–
TR Far East Inc M	89	—	96	76	8.8	104.1	10.6
Warrants	19	—	22	12	–	–	–
TR High Inc	103	—	119	91	7.3	102.7	-0.1
Sub g	30	—	38	28	8.7	–	–
TR Pacific s	94	—	99	71	0.4	100.0	6.0
TR Prop	24	—	27	20	8.4	33.0	27.3
TR Smaller	145	-½	152	118½	3.4	154.7	6.0
TR Technology M	34	—	37	25	7.2	106.2	68.0
Stepped Pf	181¾	—	182	89¾	7.2	–	–
Zero Pf	184½	-½	186½	154½	–	–	–
Temple Bar	276	—	277	239	6.2	298.1	7.4
8pc Cv Ln 2002	£118½	+1	£118½	£110½	5.2	–	–
Templeton Em	219	—	224	165	1.5	204.1	-8.3
Warrants	186	—	186	59	–	–	–

MERCHANT BANKS

Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's
Ansbacher (H)	34	—	34	26	83.5	–
Barings 8pc Cn 2nd Pf	100	—	100	93½	12.5	10.7
9¾pc Non-Cum Pf	120½	-½	121¾	103¾	48.2	10.8
Brown Shipley	128	-2	204	125	20.1	8.5
Close Bros †	258	—	287	247	93.1	4.7
Hambros †	290	-1	292	215	569.4	5.9
7½pc Cv Pf	116	-1	179	93	174.0	8.9
Joseph (L)	330	—	333	318	17.3	6.4
Kleinwort Benson	312	+5	318	212	413.4	6.7
Rea Bros	35	—	37	28	13.7	1.9
Schroders	1340	—	1363	1043	677.1	1.8
N/V	1165	—	1168	883	151.8	2.1
Singer & Fried	47	—	88	37	98.4	7.1
Warburg (SG)	569xd	-2	605	445	1,148	4.3
8pc Cv Pf	192	-1	204	150	81.7	4.2
Wintrust	220	—	253	213	18.7	5.6

METALS & METAL FORMING

Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's
ASW	158	-2	185	113	185.4	7.8
Apollo Metals	140xd	—	147	129	18.5	3.3
Ash & Lacy	160	—	188	142	44.3	5.1
Barrett (H) ‡	19	-1	45	19	4.28	‡
Billam (J)	125	—	144	84	2.84	4.5
BR Steel	79	-1	88	64	1,589	14.8
MCI	32	—	36	15	27.7	8.5
Castings	191xd	+1	191	118	48.8	2.8
Chamberlin & Hill	127xd	—	140	90	9.28	8.3
Cohen (A)	400	—	480	350	7.42	7.7
Cook (Wm)	282	—	335	250	67.8	5.2
Cooper (F)	61xd	-2	69	50	21.7	8.7
Cronite ♦	45	—	45	24	7.31	–
Downiebrae	28	—	38	27	4.00	2.4
Firth (GM) ‡	28	—	35	28	8.44	‡
Garton	125	—	139	90	4.75	7.5
Glynwed Intl	264	+3	282	193	542.4	6.9
Johnson & Firth	68	+½	73	54½	95.8	5.8

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 – 379 – 0444.

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Century Life Plc—Contd.

Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Capital	79.9	84.2	-0.2	-
Managed Accum.	114.6	120.7	-0.4	-
Property Capital	82.8	87.1	-0.2	-
Property Accum.	118.5	124.7	-0.3	-
Equity Capital	116.2	122.3	-0.7	-
Equity Accum.	166.6	175.4	-0.9	-
Intl Capital	70.8	74.5	-0.1	-
Intl Accum.	101.4	106.7	-0.2	-
Fxd Int Capital	139.4	146.8	+0.2	-
Fxd Int Accum.	199.7	210.2	+0.3	-
Deposit Capital	121.4	127.8		-
Deposit Accum.	174.1	183.3	+0.1	-
Langham Harvest	299.9	315.6		-

Citibank Life

Perrymount Road, Haywards Heath 0444 414111

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ser 1	291.8	307.1		-
Equity Ser 1	439.2	462.3		-
Smaller Co's Ser 1	246.2	259.2		-
Recovery Ser 1	131.5	138.5		-
Property Ser 1	180.2	189.7		-
International Ser 1	296.4	312.0		-
European Ser 1	120.8	127.2		-
American Ser 1	163.3	171.9		-
Managed Ser 2	288.7	303.9		-
Equity Ser 2	435.8	458.7		-
Managed Acc Ser 3	123.8	126.4		-
Equity Acc Ser 3	130.8	133.5		-
Anglian Fund	118.1	124.3		-
Celebration Fund	108.6			-
Managed Pens Accum.	409.8	431.4		-
Equity Pens Accum.	633.3	666.6		-
Intl Pens Accum.	421.9	444.1		-
Property Pens Accum.	236.6	249.0		-

Equitable Life Assurance Society

Walton St, Aylesbury Bucks HP21 7QW. 0296 393100

	Bid Price	Offer Price	+ or -	Yield Gross
European	127.5	134.2	-0.3	-
Far Eastern	308.1	324.3	-0.7	-
Fd of Inv Tsts	245.8	258.7	-0.3	-
Gilt & Fixed Int.	178.1	187.5	-0.8	-
High Income	284.5	299.5	+0.5	-
Intnl Growth	153.7	161.8	-0.4	-
Managed	200.4	210.9		-
Money	163.2	171.8	+0.1	-
North American	170.4	179.4	-0.5	-
Pelican	237.0	249.5	+0.5	-
Property	175.5	184.7		-
Smaller Companies	131.3	138.2	-0.3	-
Special Sits.	214.5	225.8	-0.2	-
Pension Funds				
European	122.5	128.9	-0.5	-
Far Eastern	348.7	367.0	-1.1	-
Fd. of Inv. Tsts	276.5	291.1	-0.5	-
Gilt & Fixed Int.	190.0	200.0	-1.1	-
High Income	339.7	357.6	+0.7	-
International Growth	156.6	164.8	-0.5	-
Managed	231.1	243.3	-0.2	-
Money	212.0	223.2	+0.1	-
North American	172.9	182.0	-0.7	-
Pelican	264.9	278.8	+0.7	-
Property	189.2	199.2		-
Smaller Companies	140.7	148.1	-0.5	-
Special Sit.	233.0	245.3	-0.3	-

Equity & Law

Amersham Road, High Wycombe 0494 463463

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equities Ser 5	775.1	815.3	-9.0	-
Higher Income Ser 5	772.7	813.3	-6.7	-
Property Ser 5	465.2	489.6		-
Fixed Interest Ser 5	341.2	359.1	-2.0	-

Henderson Administration(z)

3 Finsbury Ave, London, EC2 M2PA 071-638 5757

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity	325.5	346.3	-1.6	-
Fixed Interest	65.3	69.5	-0.2	-
N. America	263.3	280.2	-1.1	-
Far East	361.7	384.8	-0.7	-
Global Managed	337.3	358.9	-1.8	-
Deposit	207.6	218.6		-
Prime Res.	133.4	140.5		-
European	194.2	206.6	-0.7	-

Life Association of Scotland

113 Dundas St, Edinburgh EH3 5EB 031-550 5000

LAS Investment Assurance

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund	271.2	285.5	-2.0	-
UK Equity	468.3	493.0	-4.6	-
Property	290.3	305.6		-
Money Market	228.9	241.0	+0.1	-
Fixed Interest	267.8	281.9	-1.8	-
Japan	247.5	260.6	-2.9	-
North America	121.4	127.8		-
International	211.1	222.3	-1.3	-

NEL Britannia Assce Co Ltd—Contd.

Specialist Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Barings Convertibles	114.3	120.3	-0.2	-
Barings Eastern	123.1	129.6	-0.5	-
Barings Equity Income	99.5	104.7	-0.2	-
Barings European Growth	108.4	114.1	-0.7	-
Barings German Growth	106.4	112.0	-0.5	-
Barings Japan Growth	85.1	89.6	+0.2	-
Barings UK Smllr Cos.	110.5	116.3	+0.2	-
Fidelity 1992 Euro Opps.	102.8	108.2	-0.1	-
Fidelity American	115.7	121.8	-0.4	-

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	Bid Price	Offer Price	+ or –	Yield Gross
Pearl Assurance (Unit Funds) Ltd				
Lynch Wood, Peterborough PE2 6FY 0733 470470				
Property Dist. (Gross)	134.9	142.0	....	–
Property Acc. (Gross)	257.1	270.7	+0.1	–
Equity (Gross)	930.1	979.0	-1.2	–
Managed (Gross)	642.9	676.7	-0.6	–
Property Acc. (Net)	122.9	129.4	....	–
Equity (Net)	214.7	226.0	-0.3	–
Managed (Net)	197.0	207.3	-0.2	–
International (net)	168.9	177.7	-0.6	–
Gilt & Fixed Interest	141.0	148.5	-0.2	–
Money Fund	139.2	146.5	....	–
Mixed Fund (Cap)	122.9	129.4	....	–
Mixed Fund (Acc)	127.0	133.7	....	–
Adventurous Managed	96.7	101.8	+0.3	–
Cautious Managed	95.9	101.0	....	–
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	700.7	737.6	-1.3	–
Ret Man (Series 2)	237.6	250.2	-0.4	–
Ret Cash	195.8	206.1	+0.1	–
Pens Mixed Fd (Cap)	137.6	144.9	....	–
Pens Mixed Fd (Acc)	142.2	149.7	....	–
Pens Stlg Fd (Cap)	103.4	108.9	....	–
Pens Stlg Fd (Acc)	106.8	112.5	....	–
Pegasus Assurance Ltd				
Broad Quay, Bristol BS1 4DJ 0272 230271				
Life Funds				
Managed Aggressive	104.9	110.5	-0.3	–
Managed Balanced	102.6	108.1	-0.1	–
Managed Cautious	113.7	119.7	-0.1	–
Pension Funds				
Managed Aggressive	109.8	115.6	-0.3	–
Managed Balanced	107.7	113.4	-0.2	–
Managed Cautious	118.2	124.5	-0.2	–

For Pioneer Mutual see Swiss Pioneer

Premium Life Assurance Co Ltd

37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or –	Yield Gross
Provident Mutual Life Asse. Assn. – Contd.				
Index Linked Gilt Init.	127.7	134.4	-0.8	–
Overseas Equity Ord.	272.6	286.9	-0.8	–
Overseas Equity Init.	199.3	209.8	-0.6	–
Property Ord.	221.5	233.2	+0.3	–
Property Init.	162.0	170.5	+0.2	–
Fixed Interest Ord.	227.7	239.7	-1.8	–
Fixed Interest Init.	166.5	175.3	-1.3	–
Deposit Ord.	186.2	196.0	+0.1	–
Deposit Init.	136.1	143.3	....	–
Pension Funds				
Managed Ord.	477.0	502.1	-3.8	–
Managed Init.	348.9	367.3	-2.7	–
Equity Ord.	750.7	790.2	-8.7	–
Equity Init.	549.0	577.9	-6.4	–
Pen Ind Lkd Gilt Ord	188.7	198.6	-1.1	–
Pen Ind Lkd Gilt Init.	144.1	151.7	-0.8	–
Overseas Equity Ord.	310.1	326.4	-1	–
Overseas Equity Init.	226.8	238.7	-0.7	–
Property Ord.	278.9	293.6	+0.4	–
Property Init.	204.0	214.7	+0.3	–
Fixed Interest Ord.	289.6	304.8	-2.1	–
Fixed Interest Init.	211.8	222.9	-1.6	–
Deposit Ord.	266.9	280.9	+0.1	–
Deposit Init.	195.2	205.5	+0.1	–
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Prubond				
Managed May 27	270.8	282.1	....	–
Prudential Corporate Pension Funds				
1 Stephen St, London W1P 2AP 071-548 3281				
Prudential Managed Funds				
Discretionary Jun 3	£195.24	201.32	+0.86	–
Equity Jun 3	£227.10	234.85	-0.05	–
International Jun 3	£27.86	28.43	+0.53	–
Intl Bond Jun 3	£14.36	14.55	+0.12	–
Fixed Int Jun 3	£106.22	107.40	+0.43	–
Index Linked Jun 3	£77.64	78.62	+1.07	–

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GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

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ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

JERSEY (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
Wardley Investment Services Ltd				
Wardley S.E. Asia Tst	$16.44	17.35	+0.01	0.88
Japanese Warrants	$3.75	3.98	+0.17	-
Asian Warrants	$12.40	13.13	----	-
European Warrants	$5.52	5.85	+0.02	-
Managed	HK$11.58	12.26	-0.05	-
Private Capital Tst		$21.24	-0.04	-
Wellington Fd Mngrs (Bermuda) Ltd				
Intnl Growth Fd	$13.74	14.44	----	-
Wells Fargo U.S. IT Fund				
Wells Fargo A Shs (z)		$10.94	----	-
Wells Fargo B Shs (z)		$10.55	-0.01	-
Worldwide Limited				
NAV Apr 30		$97.69	----	-
Xiphias International Investment Fd Ltd				
Xiphias Inc USD		$1.0730	----	-
Xiphias Inc ECU		Ecu1.0699	----	-
Yamaichi Capital Mngmt (Guernsey) Ltd				
Thai Inv Fund		$9.39	-0.25	-

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. u Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). x Offered price includes all expenses except agent's commission. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Commercial Relations Department; Luxembourg: Institut Monétaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

D-Mark firm in calm trading

Activity in foreign exchange trading was considerably calmer yesterday following the market's stormy reaction to Denmark's decision not to participate in European Monetary Union, *writes James Blitz.*

The D-Mark ended the day slightly down against most European currencies from Wednesday's close. But it still retained most of the gains made in the aftermath of Denmark's referendum decision, as dealers remained unsure of the immediate outlook on European exchange rates. "There's clearly a question mark over the route map of Emu," said Mr Neil MacKinnon, chief economist of Yamaichi International in London. "There is also much more of a currency risk for the bond markets, with the financial markets having to price in the possibility of a currency realignment."

Sterling ended the day ¼ pfennig higher against the D-Mark, closing at DM2.9175. The French franc suffered further loss, closing at around FFr3.370 to the D-Mark, from a previous close of FFr3.368. Analysts believed that the French currency had done well to hold its ground considering the French government's decision to hold a referendum on Emu this autumn. The currency may have been helped by a statement from Mr Michel Sapin, the French finance minister, that inflation is set to fall to 2.8 per cent by the end of the year from its current level of 3.1 per cent.

The Danish krone came under little further pressure in European trading after a hazardous day on Wednesday, when the Bank of Portugal was forced to intervene in the market as the krone threatened to slip below its permitted limit against the strongest currency, the escudo. By the end of European trading, the krone was again firmly at the bottom of the EMS grid. But it was more relaxed, with only a 5.74 percentage point differential against the escudo, compared to 6.10 points on Wednesday.

The other EMS currency over which there is apprehension is the Italian lira, the third weakest currency in the system. On Wednesday, the Bank of Italy was reported to have intervened in the market to prevent the D-Mark rising much above Lira 755.0. Yesterday, the lira again closed weaker at Lira 756.6 to the D-Mark, compared to a previous close of 756.1.

According to Mr Michael Feeny, senior dealer at Sumitomo Bank in London, the lira is a potential concern. "Italy's weak political system requires the discipline of Maastricht to help the country take difficult decisions about its growing budget deficit," he said. "Without Maastricht, overseas investors' confidence could fail, prompting a real run on the lira. These days, Italy no longer has the protection of controls on capital outflows."

£ IN NEW YORK

June 4	Latest	Previous Close
£ Spot	1.8235-1.8245	1.8180-1.8190
1 month	0.88-0.87pm	0.92-0.91pm
3 months	2.66-2.64pm	2.76-2.73pm
12 months	8.77-8.67pm	8.83-8.73pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	June 4	Previous
8.30 am	92.4	92.4
9.00 am	92.4	92.4
10.00 am	92.4	92.4
11.00 am	92.4	92.6
Noon	92.5	92.5
1.00 pm	92.5	92.5
2.00 pm	92.5	92.4
3.00 pm	92.4	92.4
4.00 pm	92.5	92.4

CURRENCY MOVEMENTS

June 4	Bank of England Index	Morgan Guaranty Changes %
Sterling	92.5	-19.5
U.S. Dollar	63.0	-15.3
Canadian Dollar	99.5	-2.8
Austrian Schilling	110.2	+12.4
Belgian Franc	111.6	-1.9
Danish Kroner	113.4	+3.8
D-Mark	118.8	+25.1
Swiss Franc	105.2	+13.1
Dutch Guilder	114.5	+16.2
French Franc	104.6	-11.7
Lira	98.2	-30.3
Yen	142.3	+77.6
Peseta	108.0	-17.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). *Rates are for June 3

CURRENCY RATES

June 4	Bank % rate	Special* Drawing Rights	European † Currency Unit
[illegible]			

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for June 3

OTHER CURRENCIES

Jun 4	£	$
Argentina	1.8030 - 1.8050	0.9900 - 0.9910
Australia	2.3850 - 2.3870	1.3090 - 1.3100
Brazil	5329.45 - 5352.75	2925.85 - 2936.05
Finland	7.9230 - 7.9365	4.3500 - 4.3580
Greece	347.950 - 353.500	191.540 - 194.610
Hong Kong	14.0775 - 14.0915	7.7355 - 7.7365
Iran	2625.00*	1425.00*
Korea(Sth)	1417.85 - 1440.70	781.70 - 791.10
Kuwait	0.53100 - 0.53250	0.29160 - 0.29250
Luxembourg	60.00 - 60.10	32.85 - 32.95
Malaysia	4.5865 - 4.5980	2.5225 - 2.5275
Mexico	5500.95 - 5513.10	3116.25 - 3117.25
N Zealand	3.3880 - 3.3925	1.8600 - 1.8625
Saudi Ar	6.7755 - 6.8525	3.7495 - 3.7505
Singapore	2.9630 - 2.9705	1.6290 - 1.6300
S Af (Cm)	5.1650 - 5.1770	2.8330 - 2.8345
S Af (Fn)	6.3180 - 6.3515	3.4685 - 3.4870
Taiwan	45.35 - 45.55	24.90 - 25.00
U.A.E.	6.6345 - 6.7115	3.6715 - 3.6735

*Floating rate. Iran Official rate £119.10 $65.50

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jun 4	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	178.735	170.572	-4.57	5.85	75
Spanish Peseta	133.631	128.502	-3.84	5.05	66
Belgian Franc	42.4032	42.2219	-0.43	1.45	24
Dutch Guilder	2.31643	2.31074	-0.25	1.27	15
D-Mark	2.05586	2.05148	-0.21	1.24	18
French Franc	6.89509	6.90760	0.18	0.84	-6
Irish Punt	0.767417	0.769760	0.31	0.71	-11
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Jun 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]						

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.02-4.97pm. 12 Month 8.75-8.65pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jun 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]						

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Jun 4	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]						

Long term Eurodollars: two years 5⅝-5½ per cent; three years 6⅛-6 per cent; four years 6⅝-6½ per cent; five years 7-6⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Jun 4	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	Pta	Ecu
£	[illegible]											
$	[illegible]											
DM	0.343	0.626	1	79.77	3.370	0.915	1.127	756.6	0.749	20.59	62.74	0.488
YEN	4.297	7.843	12.54	1000.	42.24	11.47	14.13	9484	9.390	258.1	786.4	6.115
F Fr.	1.017	1.857	2.967	236.7	10.	2.716	3.344	2245	2.223	61.09	186.2	1.448
S Fr.	0.375	0.684	1.093	87.15	3.682	1	1.231	826.6	0.818	22.49	68.54	0.533
H Fl.	0.304	0.555	0.887	70.79	2.991	0.812	1	671.4	0.665	18.27	55.67	0.433
Lira	0.453	0.827	1.322	105.4	4.454	1.210	1.489	1000.	0.990	27.21	82.92	0.645
C $	0.458	0.835	1.335	106.5	4.499	1.222	1.504	1010	1	27.48	83.75	0.651
B Fr.	1.665	3.039	4.858	387.5	16.37	4.446	5.474	3675	3.639	100.	304.7	2.370
Pta	0.546	0.997	1.594	127.2	5.372	1.459	1.796	1206	1.194	32.81	100.	0.778
Ecu	0.703	1.283	2.050	163.5	6.908	1.876	2.310	1551	1.535	42.20	128.6	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

MONEY MARKETS

Short rates softer

SHORT-DATED interest rates in the sterling cash markets were slightly softer yesterday after the Bank of England forecast another small shortage in its operations.

However, sterling futures still appeared to be reeling from the shock of Denmark's vote on European Monetary Union (Emu), with the longer dated contracts ending the day considerably lower than their previous close.

UK clearing bank base lending rate 10 per cent from May 5, 1992

In the cash market, 1-month money ended the day at 9¾ per cent, ⅛ per cent down on the previous night's close. 3-month Libor, an important indicator of how the market thinks base rates will move, ended once again at 10 per cent. The rates for 6-month and 1-year money were also unchanged at 10 per cent and 9$\frac{15}{16}$ per cent respectively.

The softening of rates followed the Bank of England's forecast of a shortage of only £500m in the morning. This was later revised to £550m. The Bank then purchased £550m of Band-1 Bank bills at 9¾ per cent, taking out the shortage at one go in the morning.

Dealers said that a small shortage had once again removed the danger of the cash markets over-reacting to the disarray over Emu. One dealer said: "Any potential fears that people may have had for the money markets have been offset by the fact that money is cheap at the moment and prices have not risen." Another said that the Maastricht crisis had not changed his perception that 10 per cent was a level from which base rates would come down.

The Maastricht blues took a firmer grip of the sterling furtures markets, however, where some of the longer-dated contracts ended the day a few ticks lower. The June 1993 contract ended the day at 90.92, four ticks lower than its previous close. This reflects the view that 3-month Libor will be at 9.08 per cent in one year's time. The September 1993 contract ended at 91.03, also down three ticks on the day. This reflects the view that 3-month Libor will then be at 8.97 per cent.

There was little change in the shorter dated futures. The September contract closed at 90.28, the same as its previous close.

Dealers said that the slight drop in longer-dated futures had mostly reflected changes in the gilts market, where trading was far more active.

FT LONDON INTERBANK FIXING

(11.00 a.m. June 4) 3 months US dollars		6 months US Dollars	
bid 3$\frac{15}{16}$	offer 4$\frac{1}{16}$	bid 4$\frac{1}{16}$	offer 4$\frac{3}{16}$

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Lunchtime

Prime rate	6½
Broker loan rate	6
Fed.funds	3$\frac{13}{16}$
Fed.funds at intervention	-

Treasury Bills and Bonds

One month	2.91	Three year	5.74
Two month	3.61	Five year	6.62
Three month	3.79	Seven year	6.99
Six month	3.98	10-year	7.36
One year	4.27	30-year	7.89
Two year	5.21		

June 4	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.55-9.65	9.60-9.70	9.65-9.75	9.65-9.75	9.65-9.75	9.75
Paris	9$\frac{15}{16}$-10$\frac{1}{16}$	9$\frac{15}{16}$-10$\frac{1}{16}$	9$\frac{15}{16}$-10$\frac{1}{16}$	9$\frac{15}{16}$-10$\frac{1}{16}$	9$\frac{15}{16}$-10$\frac{1}{16}$	9.60
Zurich	8¾-9¼	9¼-9⅝	-	9¼-9⅝	-	-
Amsterdam	9.31-9.38	9.47-9.54	-	9.48-9.55	-	-
Tokyo	4$\frac{13}{16}$-4¾	4$\frac{13}{16}$-4$\frac{11}{16}$	-	4$\frac{13}{16}$-4$\frac{11}{16}$	-	-
Milan	12¼-12½	12⅝-12$\frac{13}{16}$	-	12$\frac{13}{16}$-12$\frac{15}{16}$	-	-
Brussels	9⅛-9⅜	9½-9¾	-	9½-9¾	-	-
Dublin	8¾-9	9$\frac{11}{16}$-9$\frac{13}{16}$	9$\frac{13}{16}$-10	9$\frac{15}{16}$-10$\frac{1}{16}$	9$\frac{15}{16}$-10$\frac{1}{16}$	-

LONDON MONEY RATES

Jun 4	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	9½	9¼	9$\frac{13}{16}$	9$\frac{15}{16}$	10	9$\frac{15}{16}$
Interbank Bid	6	9	9$\frac{11}{16}$	9$\frac{13}{16}$	9⅞	9$\frac{13}{16}$
Sterling CDs	-	-	9$\frac{11}{16}$	9¾	9$\frac{13}{16}$	9$\frac{13}{16}$
Local Authority Deps.	9$\frac{11}{16}$	9$\frac{11}{16}$	9$\frac{11}{16}$	9$\frac{13}{16}$	9$\frac{13}{16}$	9$\frac{13}{16}$
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	7	9	-	-	-	-
Company Deposits	-	-	10	10	10	10
Finance House Deposits	-	-	9$\frac{15}{16}$	9$\frac{15}{16}$	9$\frac{15}{16}$	9$\frac{15}{16}$
Treasury Bills (Buy)	-	-	9¾	9$\frac{11}{16}$	9⅝	-
Bank Bills (Buy)	-	-	9½	9$\frac{11}{16}$	9⅝	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.80	3.86	4.04	4.54
SDR Linked Dep. Offer	-	-	6⅛	6⅛	6¼	6⅝
SDR Linked Dep. Bid	-	-	6⅛	6⅛	6⅛	6½
ECU Linked Dep. Offer	-	-	10⅛	10⅛	10⅛	10⅛
ECU Linked Dep. Bid	-	-	10¼	10⅛	10¼	10$\frac{1}{16}$

Treasury Bills (sell); one-month 9⅞ per cent; three months 9$\frac{11}{16}$ per cent; six months 9$\frac{9}{16}$ per cent; Bank Bills (sell): one-month 9$\frac{1}{2}$ per cent; three months 9$\frac{19}{32}$ per cent; Treasury Bills; Average tender rate of discount 9.4278 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day May 29, 1992. Agreed rates for period June 24, 1992 to July 225, 1992, Scheme I: 11.34 p.c., Schemes II & III: 11.35 p.c. Reference rate for period May 1, 1992 to May 29, 1992, Scheme IV&V: 10.122 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from June 1, 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5,1991, Deposits withdrawn for cash 5 per cent.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE EUROMARK OPTIONS; LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS; LIFFE SHORT STERLING OPTIONS

Strike Price	Calls-settlements		Puts-settlements	
[illegible]				

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT; US TREASURY BONDS 8%; 6% NOTIONAL GERMAN GOVT. BOND (BUND); 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND; 9% NOTIONAL ECU BOND; 12% NOTIONAL ITALIAN GOVT. BOND (BTP); THREE MONTH STERLING; THREE MONTH EURODOLLAR; THREE MONTH EUROMARK; THREE MONTH ECU; THREE MONTH EURO SWISS FRANC; THREE MONTH EUROLIRA INT. RATE; FT-SE 100 INDEX

	Close	High	Low	Prev.
[illegible]				

* Contracts traded on APT. Closing prices shown.

CHICAGO

U.S. TREASURY BONDS (CBT) 8%; JAPANESE YEN (IMM); U.S. TREASURY BILLS (IMM); DEUTSCHE MARK (IMM); BRITISH POUND (IMM); SWISS FRANC (IMM); THREE-MONTH EURODOLLAR (IMM); STANDARD & POORS 500 INDEX

	Latest	High	Low	Prev.
[illegible]				

PHILADELPHIA SE £/$ OPTIONS

Strike	Calls				Puts			
[illegible]								

PARIS

7 TO 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES; THREE-MONTH PIBOR FUTURES (MATIF); CAC-40 FUTURES (MATIF); ECU BOND (MATIF); OPTION ON LONG-TERM FRENCH BOND (MATIF)

	Open	Sett price	Change	High	Low	Yield	Open int.
[illegible]							

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.8255	1.8168	1.7990	1.7756	1.7385

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bank	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Duncan Lawrie	10	Mount Banking	10
Henry Ansbacher	10	Equatorial Bank plc	10	NatWestminster	10
B & C Merchant Bank	10.5	Exeter Bank Limited	10.5	Northern Bank Ltd	10
Bank of Baroda	10	Financial & Gen Bank	10	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	10	First National Bank Plc	10	Provincial Bank PLC	10
Bank of Cyprus	10	Robert Fleming & Co	10	Rea Brothers	10
Bank of Ireland	10	Robert Fraser & Ptnrs	10.5	Roxburghe Guarantee	10
Bank of India	10	Girobank	10	Royal Bk of Scotland	10
Bank of Scotland	10	Guinness Mahon	10	Smith & Williamson Secs	10
Banque Belge Ltd	10	Hambros Bank	10	Standard Chartered	10
Barclays Bank	10	Heritable & Gen Inv Bnk	10	TSB	10
Brit Bk of Mid East	10	Hill Samuel	10	Unity Trust Bank Plc	10
Brown Shipley	10	C. Hoare & Co	10	United Bk of Kuwait	10
CL Bank Nederland	10	Hongkong & Shanghai	10	Western Trust	10
Citibank NA	10	Julian Hodge Bank	10	Whiteaway Laidlaw	10
City Merchants Bank	10	Leopold Joseph & Sons	10	Yorkshire Bank	10
Clydesdale Bank	10	Lloyds Bank	10		
Co-operative Bank	10	Meghraj Bank Ltd	10		
Coutts & Co	10				

Members of British Merchant Banking & Securities Houses Association.

MONEY MARKET FUNDS

Money Market Trust Funds

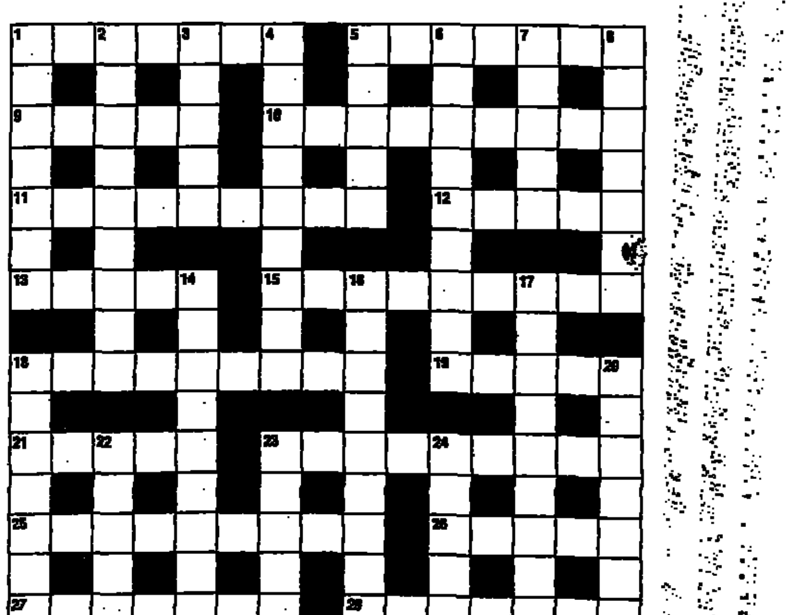
	Gross	Net	CAR	Int Cr
[illegible]				

Money Market Bank Accounts

	Gross	Net	CAR	Int Cr
[illegible]				

CROSSWORD

No.7,865 Set by GRIFFIN



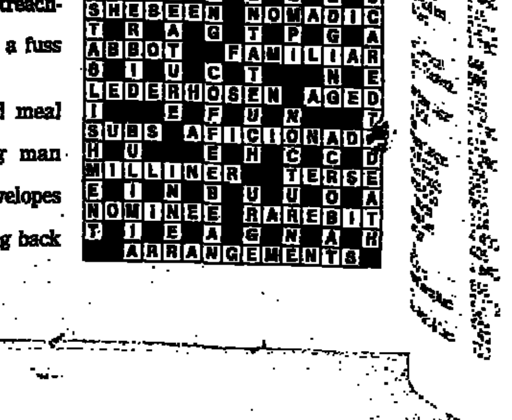
ACROSS

1 People crying out for visitors? (7)
5 Girl, encloses cheese for him (7)
9 Android's nonsense about black hole (5)
10 For nearly 3 months soccer side train (5-4)
11 Made me telephone Sue about cakes (9)
12 Crew site noisily (5)
13 Delayed installing hot machine (5)
15 Alaskan city where hermits live? (9)
18 We turned somersaults round pole, being experienced (9)
19 Current rubbish rejected by entertainer (5)
21 Point out mum, embracing (5)
23 Get a space prepared for whipping boy (9)
25 At holiday home Dan introduced servant (9)
26 Expect delay after mid-day (5)
27 Man not the cause of treachery (7)
28 Many less burnt made a fuss (7)

DOWN

1 Sweet coach arranged meal (7)
2 MP has last missing man released (9)
3 Put away in neat envelopes (5)
4 Insist upon its reversing back up behind (9)
5 Passes Georgia with backing group (5)
6 Grumble when standing on ale spilt here (9)
7 Spotting, not overlooking, a sugary mixture (6)
8 Still carrying overdue baby's outfit (7)
14 A person he trained to make cans (9)
16 Catch, removing key from lorry needing cleansing (9)
17 Cosmonaut ran out and sat shaking (9)
18 Puts drunk on craft of arrogant person (7)
20 Turned and went off holding article (7)
22 BBC head goes free (5)
23 Spot a way in outside (5)
24 Make happy Lawrence drink up first (5)

Solution to Puzzle No.7,864



WORLD STOCK MARKETS

CANADA

TORONTO

3:00 pm prices June 4

Quotations in cents unless marked $

Sales	Stock	High	Low	Close	Chng
7800	AbitiBi Pr	$16⅛	16	16	−⅛
13100	AgnicoEa	$5⅜	5	5	
1600	Air Cda	500	495	495	−5
15100	Albrta En x	$12⅝	12½	12½	−⅛
15000	AlbNtGas	$13⅞	13⅞	13¾	−⅛
388000	Alcan Al	u$28⅞	28	28⅛	+⅛
81000	Am Barr x	$31⅛	30¾	30¾	−⅛
11300	Alco Cl 1	$11½	11⅜	11⅜	−¼
125500	Bk Montr'l	$44⅝	44¼	44½	
121800	Bk Nova Sc	$20⅞	20¾	20¾	−⅛
5500	Corel Sys	$23	22⅝	22¾	−⅛
100	CoscanDev	$5⅞	d5⅞	6⅛	+¼
19000	CrownX A	146	141	146	+6
17400	Denison A	37	34	34	
42500	Derlan	$5¾	6½	5¾	−¼
464800	Dofasco	$12¾	12½	12⅝	−¼
4100	Domtar Txt	$6¾	6¾	6¾	
18300	Domtar Inc	$7⅞	7⅝	7¾	
33400	Du Pont A	$48	48	48	
68300	DundeeBncA	250	246	250	+1
33000	Echo Bay M	$7	6⅞	7	+⅛
500	Emco Ltd	$6	6	6¾	+⅛
1000	Empire	$11⅝	11⅞	11⅝	
25000	Euro Nev	$18½	18½	18½	
700	FPI Ltd	400	400	400	+5
7100	FahnstkVnr	$8¾	8⅝	8¾	
101600	Ranger Oil	$9⅛	8⅞	8⅞	−⅛
700	Rayrock	u$7	7	7	
100	Reed Stm x	$24½	24½	24½	
100	Reitman S	$17⅞	17⅞	18	
121300	Ren'ssance	$15¼	15	15¼	−⅛
86800	Rapap Ent	460	455	455	−10
6200	Rio Algom	$16⅝	16⅝	16⅝	
323800	RogersComB	$14⅛	13⅞	14	−⅛
1300	Rothmans x	$88	86½	86½	−2½
132100	RoyalBkCan	$23⅛	22¾	23	−⅛
74000	Ryl Oak Mn	180	179	180	

MONTREAL

3:00 pm prices June 4

Sales	Stock	High	Low	Close	Chng
367100	Cankop Bk	$25¼	d25¼	25⅞	−½
500	CanMarconi x	$16⅝	16⅝	16⅝	
13300	Cascades	$7⅞	7⅞	7⅞	
2900	DominTxt A	$6¾	6¾	6¾	
101800	MacleanHnt	$12	11⅞	11⅞	
144000	NatBk Can.	$9	8¾	8⅞	
21100	Provigo	$8¼	8	8¼	+¼
200	Quebecor A	$14⅛	14⅛	14⅛	
7000	Teleglobe	u$13½	13¼	13⅜	
17800	Videotron x	$15⅞	15¾	15⅞	−⅛

Total Sales 12,887,800 shares

INDICES

	Jun 4	Jun 3	Jun 2	Jun 1	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1676.7	1678.1	1676.3	1674.4	1684.50 (22/5)	1545.30 (9/4)
All Mining (1/1/80)	713.0	714.6	712.4	711.8	717.20 (25/2)	660.90 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	416.87	417.58	416.41	413.29	458.57 (24/2)	372.24 (2/1)
Traded Index (2/1/91)	1003.26	1006.93	1002.09	998.20	1099.43 (24/2)	901.64 (2/1)
BELGIUM						
BEL20 (1/1/91)	1224.10	1231.23	1235.40	1232.57	1235.40 (2/6)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	331.47	335.13	347.73	347.75	365.29 (15/1)	326.35 (9/4)
FINLAND						
HEX General (28/12/90)	817.1	819.0	820.4	829.2	936.90 (24/2)	778.30 (9/4)
FRANCE						
CAC General (31/12/82)	540.06	546.24	548.16	548.31	555.93 (12/5)	475.53 (2/1)
CAC 40 (31/12/87)	1994.87	1992.61	2024.87	2017.40	2077.49 (11/5)	1749.91 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	712.48	719.06	718.22	718.34	725.26 (26/5)	643.26 (8/1)
Commerzbank (1/12/53)	2014.20	2029.5	2025.2	2026.0	2043.80 (25/5)	1813.80 (8/1)
DAX (30/12/87)	1792.31	1788.58	1801.39	1798.14	1811.57 (25/5)	1578.73 (8/1)
HONG KONG						
Hang Seng Bank (31/7/64)	6035.80	6037.37	6059.39	6056.00	6082.70 (27/5)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1372.95	1375.11	1376.09	(c)	1469.57 (17/1)	1346.61 (3/4)
ITALY						
Banca Com. Ital. (1972)	492.98	497.32	508.31	497.98	551.59 (6/2)	472.72 (15/5)
MIB General (2/1/92)	972.0	981.0	987.0	983.0	1086.00 (5/2)	932.00 (15/5)
JAPAN						
Nikkei (16/5/49)	17964.07	18188.68	18125.55	18004.11	23801.18 (6/1)	16598.15 (9/4)
Tokyo SE (Topix) (4/1/68)	1354.10	1366.38	1364.58	1360.54	1763.43 (6/1)	1196.19 (9/4)
2nd Section (4/1/68)	2023.02	2032.70	2040.03	2036.17	2459.85 (6/1)	1910.56 (9/4)
MALAYSIA						
KLSE Composite (4/4/86)	586.23	588.43	586.74	585.33	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Ttl Rtn Gen (End 1983)	314.6	313.7	314.6	312.6	314.70 (26/5)	274.00 (8/1)
CBS All Shr (End 1983)	215.3	214.7	215.3	214.0	215.50 (26/5)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	761.65	760.86	765.92	767.65	772.74 (18/5)	667.88 (25/2)
PHILIPPINES						
Manila Comp (2/1/85)	1496.73	1439.42	1405.72	1387.79	1496.73 (4/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	405.24	406.18	405.96	404.96	416.99 (21/1)	370.13 (9/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1086.0	1102.0	1083.0	1073.0	1327.00 (21/1)	1006.00 (24/4)
JSE Industrial (28/9/78)	4689.0	4679.0	4646.0	4630.0	4689.00 (4/6)	4169.00 (2/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	568.81	568.98	567.34	569.19	691.48 (8/2)	567.34 (2/6)
SPAIN						
Madrid SE (30/12/85)	258.06	260.42	262.85	260.65	266.51 (28/2)	238.93 (2/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	979.70	983.9	992.2	998.5	1014.50 (11/5)	913.70 (2/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	873.4	870.3	876.9	875.1	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	671.4	669.8	673.0	671.0	682.30 (11/5)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	4586.61	4583.97	4468.95	4456.85	5391.63 (30/1)	4368.17 (11/5)
THAILAND						
Bangkok SET (30/4/75)	684.75	679.52	677.10	698.90	832.39 (7/4)	667.84 (19/5)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	509.1°	510.4	510.6	513.1	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	963.61	965.98	975.84	974.48	976.55 (25/5)	870.31 (2/1)

**Saturday May 30: Taiwan Weighted Price: 4496.58, Korea Comp Ex. 574.20.
‡ Subject to official recalculation. °Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and … – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/… Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday 4th June 1992

	Stocks Traded	Closing Prices	Change on day
Meiji Milk	11.1m	951	+17
Morinaga Milk	4.1m	656	-6
Nippon Mining	4.0m	471	-14
Takuma Co Ltd	2.9m	1,120	+30
Jpn Storage	2.6m	1,070	-30
Sumitomo	2.4m	450	-11
Nissan Chem Ind	2.4m	739	-9
NPN Formula	2.2m	618	+3
Ajinomoto	2.2m	1,340	+30
Mitsubishi	2.1m	1,130	-20

3:00 pm prices June 4

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	12¾	AAR Corp	0.48	3.7	15	135	13	12⅞	12⅞	
28	20⅞	A L Labs A	0.18	0.8	92	2531	23½	23	23	-⅛
68¼	56	AMP Inc	1.52	2.5	24	1016	60½	60	60⅞	+⅛
80¼	60⅞	AMR				103745	64⅞	64	64⅞	-⅛
2⅞	1⅝	ARX			2	2	1⅞	1⅞	1⅞	
53½	40¾	ASA x	2.00	4.6	12	194	43¾	43½	43⅝	-¼
34⅝	29½	Abbott Lab	0.60	1.9	23	6281	31⅞	31⅜	31½	
13⅞	12	Abitibi Pr	0.42	3.2	9	61	13½	13¼	13¼	-¼
11⅝	10⅛	ACM Gvt In	0.96	8.6		162	11⅛	11	11⅛	
10⅜	9¼	ACM GvOpp	0.80	8.4		28	9⅝	9½	9½	-⅛
9½	8⅛	ACM Gvt Sp x	0.80	8.9		548	9⅛	9	9	
11⅛	10⅝	ACM Gvt Se x	0.96	8.8		488	11	10⅞	10⅞	
9⅝	8⅝	ACM Man	0.95	10.0		121	u9⅝	9½	9½	
12⅞	10⅞	ACM Managd	1.06	9.3		39	11⅜	11½	11⅜	+⅛
11¾	6¼	Acme Cleve	0.40	5.5	25	96	7¼	7⅛	7¼	+⅛
8¼	4½	Acme Elect			4	16	4⅜	4⅜	4⅜	+⅛
33¼	18⅞	Acuson			14	219	22⅛	22	22	-¼
19½	18⅛	Adams Expr	0.48	2.5	0	18	18⅞	18¾	18⅞	
49½	39	Ad Micro	3.00	7.5		107	39¾	39¾	39¾	-¼
21½	14⅝	Ad Micro P	3.00	19.8		63270	15⅜	15	15⅛	-⅛
9⅝	5	Advest Grp	0.16	2.4	66	10	6⅝	6⅝	6⅝	+⅛
71¾	68	Aegon ADR	3.39	4.9	8	5	68¾	68½	68¾	+½
47	38⅝	Aetna Ll	2.76	6.9	7	1488	41⅛	40⅝	40⅛	-¾
12	8⅛	Afll A	0.24	2.2	12	916	11⅛	10¾	10⅞	
32⅞	24	Aflac	0.44	1.5	15	1078	30⅛	29⅜	29½	-⅝
19⅞	15⅛	Ahmanson	0.88	5.0	67	122	18¼	17⅝	17⅝	-⅝
22½	7	Aileen Inc			6	444	7¼	d6⅞	7⅛	-⅛
49½	36½	Air Pr Chm	0.80	1.8	19	1957	46	44⅞	45	-1¼
29⅝	14	Airbne Frt	0.30	1.8	13	565	16⅞	16⅛	16½	-⅛
32½	22⅝	Airgas Inc			28	138	31½	30⅜	30⅜	-1
12⅞	8⅛	Airlease	1.66	15.8	7	24	10⅝	10⅜	10½	+⅛
104	99½	AlaPwl.16 x	8.16	8.0		10	102	102	102	+1
[illegible]										

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
82¼	66½	Xerox x	3.00	4.0	18	520	76⅜	75¼	75⅞	-⅜
53½	50½	Xerox4.125 x				z100	53	53	53	
28½	24⅞	Xtra 1.94	1.94	7.1		2	27¼	27¼	27¼	
37	28½	Xtra Corp	0.80	2.3	12	40	34⅞	34⅛	34⅝	+½
27	25¼	Yankee Egy x	1.66	6.3	12	4	26½	26¼	26¼	-¼
1½	½	Zapata			58	352	1¼	1⅛	1⅛	
11⅛	6¾	ZenithElec			4	606	8⅛	8	8	-⅛
18⅜	14½	Zenith Nat	1.00	5.6	8	221	18	17⅞	18	+⅛
7⅛	6	Zenix Inc	0.85	12.3		379	7	6¾	6⅞	-⅛
13¾	11	Zero Corp	0.40	3.4	19	283	11⅞	11¾	11⅞	+⅛
38	30½	Zurn Ind	0.88	2.9	33	330	30⅝	d30⅛	30⅛	-½
14⅛	12⅝	Zweig Fund	1.16	9.2		482	12⅝	d12⅜	12⅝	+⅛
11	9½	Zweig Totl	1.00	10.2		4967	9⅞	d9½	9⅞	+¼

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices June 4

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pall Corp	0.36	24	6580	23⅞	23	23⅞	+⅜
Pegasus G	0.10	32	147	12¾	12½	12½	-⅛
Perini	0.80	27	11	13¼	13⅛	13⅛	+⅛
Pet HdLP	1.14	14	37	13½	13¼	13¼	-¼
Phil LD	0.21	20	1754	u49	48¼	48⅝	+2½
Pittway A	1.10	16	15	30½	30	30	-½

NASDAQ NATIONAL MARKET

3:00 pm prices June 4

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		24	6127	22⅛	d20⅞	21¾	-⅛
Xoma Corp		9	32476	20½	14½	15¼	-4¼
Yellow Fr	0.94	24	1181	29⅝	29⅜	29⅝	
York Rsch		46	393	6	5½	5⅝	-⅛
ZionsUtah	1.44	10	8	53¾	51⅝	53¾	+2¼

FINANCIAL TIMES

Friday June 5 1992

AMERICA

Sector buying enlivens hesitant US trading

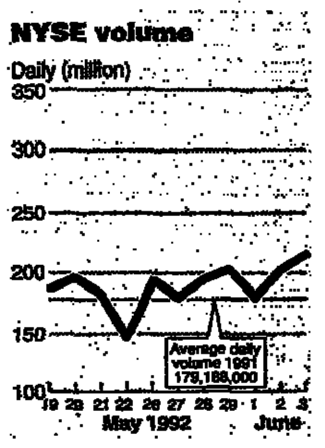
Wall Street

US prices moved in a narrow trading range yesterday as investors and dealers treaded cautiously ahead of today's important employment report for May, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was down 2.08 at 3,404.91. The more broadly based Standard & Poor's 500 was also slightly lower at midsession, down 0.40 at 414.19, while the Amex composite gained 1.54 at 397.19 and the Nasdaq composite slipped 0.24 to 589.69. Turnover on the NYSE was 127m shares by 1 pm.

Although there was steady two-way trade throughout the session, and certain sectors attracted strong buying (most notably car stocks), the market's attention was primarily focused on the May employment figures due out this morning. The consensus of forecasts is for a rise in non-farm payrolls last month of about 100,000.

The figure will be closely watched for its policy implications. A big rise in payrolls will probably kill off any remaining hopes for another interest rate cut, while an unexpectedly small increase, or



decline in the number at work, could prompt the Federal Reserve to ease monetary policy one more time.

Among individual stocks, motor manufacturers were well-bid, the sector buoyed by Wednesday's ten-day domestic car sales data which showed improving demand for new autos. Ford rose $2⅛ to $48⅞ in turnover of 1.7m shares, General Motors added $1⅞ at $43⅞ in 2.6m shares, and Chrysler advanced $1⅛ to $21 in 2.5m shares.

Coca-Cola eased $⅜ to $43⅞ in heavy trading after saying it was comfortable with estimates that it will earn between 42 cents a share and 44 cents a share in the second quarter.

Also weaker were ITT, down $1⅛ at $63⅞ after Goldman Sachs reduced its earnings estimates for the company's fiscal 1992 and 1993 earnings. Goldman's buy rating, however, was unchanged.

USX-US Steel rose $⅜ to $26⅞ in turnover of 1.6m shares after an issue of 7m additional shares of the common stock was sold at a price of $25.50 a share. The size of the offer was raised at the last minute due to strong demand.

On the Nasdaq market, Altera tumbled $1⅞ to $14 after the company said that the second quarter would not meet market expectations, mostly because of competition from Cypress Semiconductors and slow business in Japan.

Canada

TORONTO moved down in moderate to heavy midday trade with consumer products and financial services under pressure. The TSE 300 dipped 6.1 to 3401.3 in 15.8m shares worth C$186m and declines led advances by 236 to 178 with 227 unchanged.

The consumer products sector dropped 54.60, or 0.9 per cent to 6,167.18, suffering primarily from a C$⅜ slide in Seagram which posted lower earnings on Wednesday.

Analysts cautious about Elkem's revival

This year's recovery leaves the shares a long way below their best, writes Karen Fossli

Oslo has reacted quietly to the Danish referendum vote this week but its favourite bombed-out equity, Elkem, has burst into life again with its free shares up from NKr102 last Friday, through NKr114 on Wednesday to NKr117 yesterday.

The light metals producer staged an apparently impressive first quarter share price recovery, the free shares rising by 36.5 per cent against a 3.4 per cent gain for the Norwegian component of the FT-Actuaries World Index series.

This was as nothing compared with the gains for April alone: 38.4, and 2.1 per cent respectively, after which there was a 3.7 per cent fall in May, compared with a 3.0 per cent gain for the market as a whole.

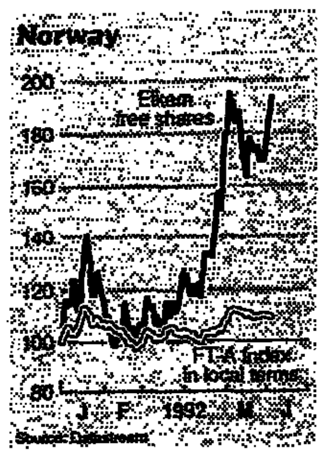
However, analysts are inclined to say that inherent financial and cyclical risks should restrain further advances in the shares. Their caution is understandable, for Elkem's share price performance since 1989 has made the most terrifying of rollercoasters seem tame.

Peaking in 1989 at NKr400, Elkem ended last year's free-fall at NKr59 after plunging to a year low of NKr39 on December 2. By comparison, it achieved a year's high in 1991 of NKr185.

Mr Anders Braatenius, an analyst with Goldman Sachs in London, says that Elkem's ebullience stems from a 5 to 10 per cent rise in US and European metal prices, and a better-than-expected first quarter financial performance. Ferro manganese prices seem to be the only obstacle to overall price strength as they continue to fall.

But Mr Braatenius believes that Elkem's glory days are over: "I don't think Elkem will ever get back into the NKr400 range," he says, "and fundamentally, we cannot justify a price higher that NKr110."

He believes that a restructuring of the domestic ferro-silicon market could help shore up Elkem once the company's consolidation begins to yield positive results. Last year, the



company posted sales of NKr7.8bn and a pre-tax loss of NKr572m compared with the previous year's NKr230m pre-tax loss on NKr8bn of sales. Since end-December 1990 it has shed some 600 jobs, but plans call for a further 400 to be cut this year. Elkem reckons each employee costs it up to NKr300,000 annually.

Barclays de Zoete Wedd points out that with a very weak balance sheet and gearing in excess of 200 per cent at the end of last year, Elkem's net debt position could deteriorate further this year. If the cycle does not turn by mid-1993, it warns, "Elkem will almost certainly be in serious financial problems".

"Elkem has lost market share in Europe as it has to comply with a minimum price agreement between the EC and Norway," adds BZW, although the aluminium business is "holding up well" due to a large share of 1991 production having been sold at higher prices.

"However," say the brokers, "Elkem's markets are subject to over-capacity and unusually high metal stock levels which is why we expect only a minor improvement in the market balance."

BZW says that Elkem's main objective – to rein in costs to a level where the company can remain in the black at the trough of the cycle – has proved an impossible aim so far. "The rewards (of the Elkem stock) are potentially great but the financial risk leaves it in the highly speculative category," it adds.

But Elkem may yet surprise the market further. Mr Bjoern Segrov, an Elkem executive, highlights the company's policy of disposing of non-strategic assets.

Elkem is seeking to shed its real estate shareholdings and, in addition, it is currently in negotiations with the Danish company, Rockwool, which is considering the acquisition of Elkem's 50 per cent Norwegian Rockwool shareholding in three plants in Norway.

Mr Segrov adds that Elkem's board hopes to appoint a permanent president and chief executive officer before July, but this does not imply a change of direction in strategy. Mr Fredrik Vogt Lorentzen, Elkem's former CEO left the company mid-March after failing to achieve his personal goal to restore the company to profitability even in "bad times".

EUROPE

Continental hangover after Maastricht vote

FT-SE Eurotrack 100 - Jun 4 †								
Hourly changes								
Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close	
1180.81	1181.68	1183.23	1183.33	1183.50	1185.20	1184.40	1184.92	
Day's High 1186.15				Day's Low 1180.81				
Jun 3	Jun 2	Jun 1	May 29	May 28				
1180.81	1200.27	1198.12	1199.58	1195.22				

Base value 1000 (26/10/90). † Indicative.

ONE OR TWO bourses still suffered an emotional hangover from Wednesday's EC referendum events, *writes Our Markets Staff.*

According to the investment strategists, they had cause. At Goldman Sachs, Mr Sushil Wadhwani said that the short term outlook for European equities had deteriorated considerably since the Danish rejection of Maastricht.

At Morgan Stanley, Mr David Roche concurred, saying that the argument for European equity assets had weakened; *but that France, Germany, the* Benelux countries and the UK remained sound, and were the most defensive.

FRANKFURT reversed Wednesday's trend, shrugging off early weakness to end with modest gains. After a 6.38 fall to 712.68 in the FAZ index at midsession, reflecting Wednesday's later weakness on the Danish and French EC referendum moves, the DAX index recovered to close 3.73 higher at 1,792.31. Volume eased from DM6.9bn to DM6.8bn.

Mr Patrick Bettscheider of Bank Julius Bär in Frankfurt said that this was a traders' market in the main, nervous about derivatives trading but banking on Germany as a safe haven amid European disarray; some pension funds came in on the buying side.

In one case, a little institutional buying went a long way. Porsche rose another DM51 to DM560, up DM80 since Monday. Tuesday's news of a fall of 32 per cent in the group's US car sales in May, the loss of another 550 jobs and a drop in parent company operating profits this year drew domestic newspaper comment and, yesterday, some bottom-fishing by just one investment buyer.

Meanwhile, the ball bearings group, Kugelfischer, dropped DM8.50 to DM252.50, taking its loss to DM22.40 since last Friday's 1992 high, and the shares back to where they were after a deep dividend cut in mid-May. On Wednesday, Kugelfischer piled on the agony with a forecast of a net loss for 1992.

PARIS recovered its breath and began to take stock of yesterday's dramatic events. *While the CAC-40 managed a* positive end to the day, closing 2.26 higher at 1,994.87, it fell as low as 1,972 during the session. With the dealers keeping their eyes on the bond market the low was reached when trade in Ecu bond futures was briefly halted during the morning. However, a successful franc bond auction later lifted sentiment.

BSN also weighed on the market following news that Brussels opposed Nestlé's takeover of Perrier. Under the proposals Nestlé would sell the Volvic division of Perrier to BSN; the latter sank to the day's low of FFr1,076 before recovering to finish down FFr10.00 at FFr1,091.00.

The financial sector recovered from Wednesday's decline with Société Générale advancing FFr12.00 to FFr532.00 and Paribas up FFr6.40 at FFr408.00.

MILAN did not like the European uncertainty, leading blue chips weakened and the Comit index fell again, by 4.42 to 492.90. Speculation that the Milan kickback scandal was about to involve senior Italian politicians and make the formation of a government more difficult also dissuaded buyers.

ZURICH's year-on-year inflation fell to 4.4 per cent in May from 5.1 per cent in April, raising hopes that today's nationwide inflation figure will also be lower. The SMI index edged up 1.7 to 1,916.9.

AMSTERDAM firmed as the market generally ignored the Maastricht upset which, it was felt, has few short term implications for the Netherlands. The CBS Tendency index closed up 0.4 at 130.6 in light turnover of Fl 546.5m.

KLM was the main interest as the airline group said that it would resume dividend payments. It closed 80 cents higher at Fl 40.30.

MADRID weakened, the general index losing 2.36 to 258.06 in turnover of some Pta12.6bn. Fecsa lost Pta11 to Pta741 on rumours, later denied, that the company would not be paying a dividend. Tubacex fell Pta32 to Pta242 after saying that it had entered temporary receivership. Some analysts said that trading in the steel tube company may be suspended today.

BRUSSELS eased on the first day of the new forward account. Dividend payments by Solvay and Delhaize had some effect on the Bel-20 index which lost 7.13 to 1,224.10 in turnover of BFr967m.

STOCKHOLM worried that the refusal of Danish voters to ratify the Maastricht Treaty would lead to the collapse of the EMS and delay Swedish EC membership. The Affärsvärlden General index slipped 4.2 to 979.7.

COPENHAGEN slipped again in the wake of Denmark's Maastricht referendum result, *writes Hilary Barnes.* The all-share index was down 3.66 at 331.47. Turnover was moderate, falling to DKr147m.

VIENNA fell but still maintained its position above the 1,000 level. The ATX index closed 3.87 weaker at 1,003.26.

ASIA PACIFIC

Manila hits new peak as Nikkei drops by 1.2%

Tokyo

ARBITRAGE-RELATED trading manipulated share prices amid thin volume yesterday, and the Nikkei average lost 1.2 per cent as it fell through the 18,000 level, *writes Emiko Terazono in Tokyo.*

The Nikkei retreated 224.61 to 17,964.07 at the close, having opened at the day's high of 18,182.26, and slipped to the day's low of 17,892.61 in the afternoon.

Volume fell to 220m shares from 251m, as investors avoided the stock market ahead of next week's quarterly expiry of index futures contracts.

Declines outnumbered advances by 659 to 246, with 173 issues remaining unchanged. The Topix index of all first section stocks lost 12.28 to 1,354.10 and, in London, the ISE/Nikkei 50 index fell 4.07 to 1,067.41.

Profit-taking in the futures market prompted arbitrageurs to unwind positions. Traders said that some jitters over unwinding of June futures contracts on next week's expiration day were alleviated by comments from life assurers, indicating commitment to buy shares at cheaper levels.

The weaker yen discouraged some investors as it lost ground against the dollar, in spite of continued dollar selling intervention by the Bank of Japan.

Traders focused on bio-technology related stocks, following reports that a government advisory panel had recommended the approval of imports and sales of Didanosine (DDI), an anti-Aids drug from the US. Meiji Milk Products, the most active issue of the day, rose Y17 to Y931. Ajinomoto, the foods company engaged in DDI development, advanced Y30 to Y1,340.

Nippon Mining, previously sought on its development of an Aids drug, lost Y14 to Y471 on profit-taking.

High-technology blue chips lost ground on liquidation of tokkin, or specified money trusts. The sector lacked support from foreign investors, who have been the recent buyers. Hitachi lost Y10 to Y790 and NEC fell Y15 to Y928.

Banking stocks lost ground. The issues are vulnerable to arbitrage selling due to the low market liquidity. Industrial Bank of Japan fell Y40 to Y1,790 and Sakura Bank lost Y20 to Y1,090.

In Osaka, the OSE average fell 166.90 to 20,665.38 in volume of 17.7m shares.

Roundup

A dull day in the region yesterday was enlivened by Manila, which set a new record high.

MANILA rose on strong foreign buying and the composite index closed up 57.31, or 3.9 per cent, at 1,496.73. Market sentiment has been improving on the likely victory of Mr Fidel Ramos in the presidential election. Turnover was down to 235m pesos from 299m.

HONG KONG weakened on news that Hongkong Telecom was to lose its domestic monopoly in 1995. The Hang Seng index ended 1.57 lower at 6,035.80 while Telecom closed 25 cents weaker at HK$9.15. Turnover was HK$4.24bn, up from HK$3.83bn.

SINGAPORE finished lower in dull trade. The Straits Times Industrial index lost 6.28 to 1,507.44 *as losses led gains by* 127 to 75.

Banking stocks were firm on institutional demand while *shipyard stocks shed recent gains.*

SEOUL eased in spite of intervention by the stock stabilisation fund. The composite index lost 0.17 to 568.81 in turnover of Won196.6bn.

TAIWAN came off the day's highs on profit-taking; the weighted index closed 2.64 higher at 4,686.61, having been more than 40 ahead at one stage.

Financials were strong but many industrials were lower, with construction leading the falls. Turnover climbed to T$32.2bn from T$28.2bn.

AUSTRALIA's All Ordinaries index shed 1.5 to 1,676.7, off the day's low of 1,673.9. The selling of stock to buy futures contracts boosted turnover to A$353.8m.

SA Brewing, which has proposed an A$5bn merger with Foster's, closed 4 cents stronger at A$3.12.

NEW ZEALAND consolidated with the NZSE-40 index gaining 0.94 to 1,582.52 in turnover of some NZ$43m.

BOMBAY lost over 3 per cent on news that the police had raided three brokers accused of using bank funds to purchase stocks. The BSE index lost 96.74 to 3,004.92.

BANGKOK improved but sentiment remains dull. The SET index rose 5.30 to 684.82 in turnover of Bt2.77bn.

SOUTH AFRICA

Gains in selected blue chip stocks helped the industrial index to close at record levels. The industrial index, which earlier dipped to 4,671, closed up 7 at 4,689. The overall *index was unchanged at 3,743* while gold lost 16 to 1,086.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JUNE 3 1992								TUESDAY JUNE 2 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (69)	152.93	+0.7	124.82	123.50	127.57	133.45	+0.1	4.09	151.91	123.41	122.43	126.96	133.37	153.68	140.94	137.67
Austria (19)	173.66	+0.6	141.74	140.24	144.87	145.10	+0.4	2.02	172.56	140.19	139.08	144.22	144.59	186.70	162.48	200.40
Belgium (46)	144.44	+0.0	117.89	116.63	120.49	117.73	−0.1	5.18	144.39	117.30	116.36	120.67	117.86	146.19	135.87	132.91
Canada (115)	127.86	+0.4	104.35	103.24	106.65	111.14	+0.1	3.29	127.40	103.50	102.67	106.47	111.07	142.12	125.60	141.50
Denmark (35)	241.80	−4.7	197.36	195.27	201.71	203.66	−4.5	1.80	253.61	206.03	204.40	211.95	213.17	273.94	226.81	237.99
Finland (15)	77.20	−0.7	63.01	62.34	64.40	70.87	−0.8	1.99	77.78	63.18	62.69	65.00	71.47	89.80	73.64	115.93
France (104)	163.48	−1.4	133.43	132.00	136.36	138.60	−1.3	3.39	165.82	134.71	133.63	138.57	140.40	168.75	148.06	137.07
Germany (65)	124.28	+0.4	101.43	100.37	103.67	103.67	+0.2	2.23	123.84	100.60	99.82	103.49	103.49	124.92	114.67	113.77
Hong Kong (55)	253.44	−0.2	206.85	204.66	211.42	251.78	−0.2	3.25	254.05	206.38	204.75	212.33	252.40	254.67	176.36	153.49
Ireland (16)	157.02	−0.4	128.16	126.80	130.98	133.24	−0.2	4.08	157.59	128.02	127.01	131.70	133.52	173.71	151.78	157.26
Italy (78)	72.55	−0.8	59.22	58.59	60.52	65.75	−0.5	3.21	73.14	59.42	58.94	61.12	66.09	80.86	66.39	81.32
Japan (473)	105.06	+0.0	85.74	84.83	87.66	84.83	+0.2	1.00	105.06	85.36	84.69	87.83	84.69	140.95	88.70	135.67
Malaysia (69)	234.72	+0.2	191.58	189.54	195.79	228.71	+0.1	2.70	234.29	190.33	188.82	195.80	228.38	250.18	212.49	241.02
Mexico (18)	1682.64	−0.8	1373.34	1358.78	1403.62	5733.47	−0.7	1.00	1695.91	1377.72	1366.82	1417.33	5773.11	1789.77	1376.91	1070.01
Netherland (25)	161.48	−0.1	131.80	130.40	134.71	133.22	−0.2	4.19	161.63	131.30	130.26	135.08	133.52	161.74	147.88	140.41
New Zealand (14)	47.51	+0.1	38.78	38.37	39.64	46.92	−0.3	5.45	47.46	38.56	38.25	39.67	47.05	48.52	42.01	51.08
Norway (23)	186.05	−0.8	151.85	150.25	155.20	158.46	−0.7	1.60	187.62	152.42	151.22	156.81	159.55	192.95	161.26	204.95
Singapore (38)	226.46	+0.0	184.85	182.89	188.92	170.02	−0.2	1.95	226.49	183.99	182.54	189.28	170.33	228.43	192.76	206.42
South Africa (61)	247.02	+0.1	201.61	199.47	206.05	188.62	+0.3	2.72	246.87	200.55	198.96	206.31	188.04	263.60	203.16	215.83
Spain (50)	159.38	−1.5	130.08	128.70	132.95	121.58	−1.0	5.00	161.72	131.38	130.35	135.16	122.76	161.72	146.86	160.89
Sweden (27)	197.83	−1.0	161.46	159.75	165.03	169.57	−0.9	2.61	199.76	162.29	161.01	166.96	171.16	200.28	173.09	193.12
Switzerland (60)	106.52	−1.1	86.94	86.02	88.87	97.04	−0.5	2.21	107.75	87.53	86.85	90.06	97.56	107.75	95.99	94.32
United Kingdom (228)	195.78	−1.4	159.79	158.08	163.30	159.79	−0.9	4.67	198.48	161.24	159.95	165.86	161.24	200.07	165.85	170.66
USA (522)	169.12	+0.2	138.03	136.57	141.08	169.12	+0.2	2.95	168.72	137.07	135.99	141.01	168.72	171.66	160.92	165.89
Europe (791)	155.04	−1.0	126.54	125.20	129.34	128.78	−0.7	3.81	156.60	127.22	126.21	130.88	129.74	156.88	139.31	139.73
Nordic (100)	182.77	−2.4	149.17	147.59	152.47	148.94	−2.3	2.17	187.34	152.19	150.98	156.56	153.50	188.52	169.66	184.34
Pacific Basin (718)	111.51	+0.0	91.01	90.05	93.02	91.09	+0.1	1.37	111.50	90.58	89.87	93.19	90.97	141.97	94.40	136.10
Euro−Pacific (1509)	129.14	−0.5	105.40	104.28	107.72	106.69	−0.3	2.54	129.76	105.42	104.57	108.44	107.00	145.21	113.80	137.88
North America (637)	166.53	+0.2	135.92	134.49	138.94	165.17	+0.2	2.97	166.13	134.96	133.91	138.86	164.80	169.69	158.70	154.91
Europe Ex. UK (563)	130.72	−0.7	106.69	105.58	109.07	110.87	−0.6	3.16	131.67	106.96	106.14	110.06	111.56	131.77	121.81	120.76
Pacific Ex. Japan (245)	175.08	+0.2	142.90	141.41	146.06	155.41	−0.1	3.47	174.79	142.00	140.89	146.09	155.55	175.31	149.00	139.94
World Ex. US (1703)	131.42	−0.4	107.26	106.13	109.63	109.09	−0.3	2.55	132.00	107.24	106.40	110.32	109.38	146.91	116.45	139.31
World Ex. UK (1997)	138.18	+0.0	112.78	111.59	115.27	124.36	+0.0	2.45	138.20	112.27	111.39	115.51	124.29	150.58	127.21	141.29
World Ex. So. Af. (2164)	142.45	−0.2	116.27	115.05	118.84	127.10	−0.1	2.71	142.71	115.93	115.03	119.28	127.19	153.05	130.04	143.43
World Ex. Japan (1752)	164.55	−0.2	134.30	132.89	137.28	152.25	−0.1	3.28	164.92	133.98	132.93	137.85	152.48	165.40	153.20	149.57
The World Index (2225)	143.14	−0.2	116.83	115.59	119.41	127.65	−0.1	2.71	143.39	116.49	115.57	119.84	127.74	153.70	130.66	143.86

Constituent change 4/6/92: Name change: Control Data to Ceridian Corp. (USA). Latest prices were unavailable for this edition.

FINANCIAL TIMES SURVEY

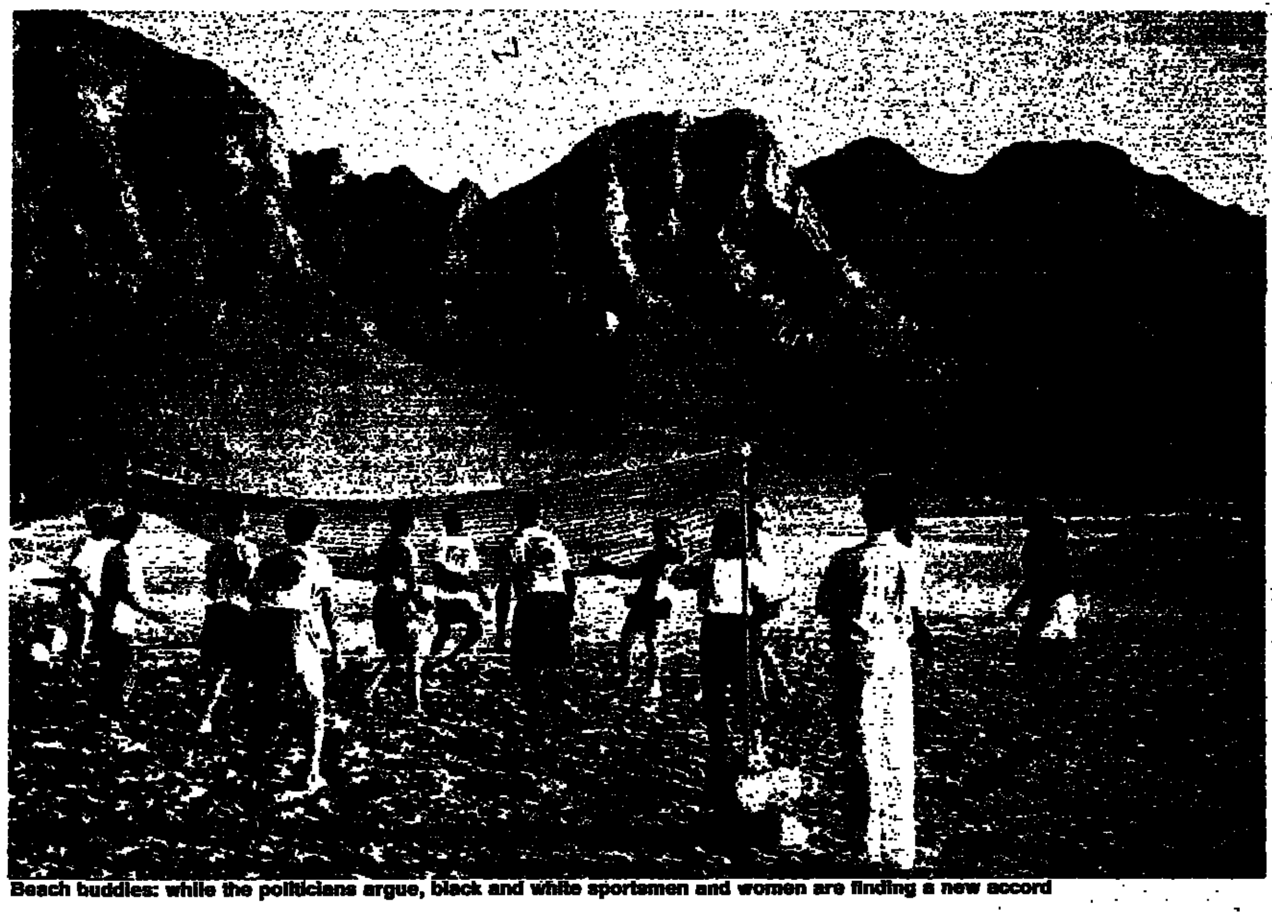
SOUTH AFRICA

SECTION III

Friday June 5 1992

The transition to multiracial rule is proving difficult and slow as whites battle to preserve power and privilege. **Patti Waldmeir** assesses the prospect for establishing freedom and stability in one of the most divided societies in the world

Democracy in the balance



Beach buddies: while the politicians argue, black and white sportsmen and women are finding a new accord

WHAT will replace apartheid in South Africa?

Will South Africans rise above their 350-year history of division and exploitation to build a liberal, multiracial democracy, a model to divided societies worldwide? Will they experiment with democracy, but fail, leaving black domination to replace white oppression? Or will the country's politicians, black and white, do an unholy deal to stifle dissent and restore civil order, jointly imposing authoritarian rule?

After two years of horrifying political violence, tortuous negotiations which have yielded little obvious progress, an accelerating decline in black living standards, and an explosion of crime, many South Africans are suffering from a crisis of confidence about their future.

The tremendous sense of relief and elation which greeted the release from prison two years ago of Mr Nelson Mandela, African National Congress (ANC) president – and the vision of a brave new egalitarian future which he inspired – has proved difficult to sustain under the pressures of political transition.

The historical imperatives which drove white and black to the negotiating table remain the same – in spite of the failure of last month's plenary session of the Convention for a Democratic South Africa (Codesa), the constitutional negotiating forum. Codesa is floundering, and the installation of a multiracial interim government, which had been expected within weeks, now seems likely to be delayed.

But the reality remains that neither the ANC, the largest black group, nor the ruling National Party, the most powerful white party, can run South Africa on its own. They need each other, and sooner or later, they will strike a deal. What is not certain is whether it will be a fully democratic deal.

"There is nothing inevitable about a democratic outcome to transition in South Africa," says Professor Frederik van Zyl Slabbert, a former liberal politician who has stimulated debate on future political systems. "I think we have the capacity to become democratic, but if I have to be very frank, I cannot see us approaching it within the next 10 years... The dynamics of the transition may precipitate undemocratic options."

None of the 19 parties to Codesa exhibit truly democratic instincts. They all pay lip service to democracy. But the National Party has only recently discovered the need for political tolerance – now that its own interests are at risk – and the ANC permits dissent only so long as it does not threaten unity. Both are deeply suspicious of the press, intolerant of criticism, dirigiste in their economic policies and authoritarian by nature.

Indeed, the two sides have already largely agreed that a multi-party interim government should retain similar emergency powers to those exercised so brutally by the National Party, which detained 40,000 people in the late 1980s. In a passage chillingly reminiscent of the bad old days of apartheid, a working document agreed to by all the Codesa parties notes that "special measures are necessary to deal with the threat to public order during the transitional period", including detention without trial (subject to unspecified "procedural controls"), and powers to declare a state of emergency on the advice of an unelected interim executive appointed by Codesa.

Senior National Party officials admit privately that they envisage a period of authoritarian rule until the end of the decade – imposed in the interests of stability and economic growth – and the ANC, worried about its ability to control its own constituents, seems likely to agree.

Both have already agreed to rule by coalition, in a government of national unity aimed at reconciling all South Africans to a new constitution. The duration of the coalition is still in dispute: the government wants coalition government to be entrenched in an interim and a permanent constitution. If the National Party has its way, South Africa will be governed for decades by a coalition which would guarantee the political role of whites.

The ANC, for its part, is intent on achieving majority rule – though it favours voluntary coalition for the first two to five years of the new regime. Some moderate ANC officials believe the government of national unity should last until the end of the century. For the National Party, though, coalition government on its own will not be enough to prevent abuse of power by the (black) majority. It wants a constitution which devolves power substantially to regional and local government – making it impossible for central government to dominate.

The party's position is that South Africa's fragmented and fractious society cannot be governed peacefully from the centre. That may well be so, but the drive for regionalism has a more immediate goal: to accommodate the political ambitions of Zulu Chief Mangosuthu Buthelezi, who would be guaranteed power in his ethnic base of Natal. He could never compete as a national politician but he would resist – perhaps violently – being sidelined under a unitary constitution.

Strong regional government would achieve another cherished National Party goal. It would ensure that the Western Cape, the only region where blacks do not form the majority, would become, in the words of one junior minister, a kind of "haven for civilised western values". (This assumes that whites and coloureds (mixed-race peoples) would make common cause together against Africans, probably a realistic assumption.)

The ANC, with its ideal of non-racialism, finds such notions abhorrent but its officials are realistic enough to admit that ethnicity cannot simply be wished away, and that devolution can help accommodate it. In a recent paper entitled "Rooting Democracy on African Soil", ANC constitutional lawyer Zola Skweyiya argues: "It is necessary to consider the challenge that ethnicity poses to democratic transformation and the way in which this challenge may be diffused.

"The experiences of independent Africa, Yugoslavia, Bulgaria, and the former USSR have demonstrated clearly how *difficult it is to replace* individual ethnic identities by a commitment to a single overarching nationalism."

But Mr Skweyiya acknowledges that his view is not received wisdom within the ANC and many tough battles lie ahead before the new government's structure is agreed.

Indeed, the next few months could prove the most difficult so far in the transition. Codesa must resolve the central question of who wields power in the new South Africa. Will whites have an effective veto, through an upper house packed with political minorities? Will they exercise a veto over the new constitution, by insisting that all clauses are passed by three-quarters majority? How much power will devolve to regions?

The ANC will not easily relinquish its demand for a majority-rule constitution, but this is incompatible with the National Party's bottom line – a large political role for whites, guaranteed indefinitely. The movement will be tempted to exercise its own veto over the process of reform, by calling for a general strike and other forms of mass protest.

Meanwhile, economic growth – which is so crucial to stability – will continue to be sabotaged by political upheaval.

But given South Africa's peculiar legacy of apartheid and ethnic diversity, poverty and isolation, nation-building was never going to be easy. With any luck, the inter-racial goodwill which persists against all the odds, the Christian commitment of most South Africans, and the desire for economic advancement will ensure that South Africa avoids the risk of social disintegration. It remains to be seen whether democracy will survive the strains of the transition.

IN THIS SURVEY

Derek Keys: burdened by expectations

Editorial production: Roy Terry

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Codesa in session: In search of a constitution which reconciles minority rights and majority rule

Monarchists, nationalists and communists negotiate

Struggle for power

IT'S BEEN called South Africa's first multiracial parliament, and its deliberations are shaping the country's constitutional future.

Since last December, the World Trade Centre on the outskirts of Johannesburg, has been home to Codesa – the Convention for a Democratic South Africa.

Apprehensive about the outcome, often baffled by the complexities of the debate, the whole of South Africa seems absorbed by an extraordinary spectacle: Zulu monarchists and Afrikaner nationalists, Tswana secessionists and white communists, all searching for a peaceful solution to their country's problems.

In principle, power continues to rest in the country's tricameral assembly in Cape Town from which blacks are excluded.

In practice, the assembly concentrates on routine administration, suspending innovative functions, becoming what one commentator called "a kind of legislative handmaiden" to Codesa, an assembly of 19 political parties undertaking an exercise without precedent in Africa.

The ultimate objective is a constitution which reconciles minority rights and majority rule, and which ensures an appropriate limit to the power of a central executive over regional and local authorities.

Nearly all the leading political players are in attendance, the notable exceptions being the extreme right Conservative Party and two radical black parties, the Pan Africanist Congress (PAC) and the Azanian People's Organisation (Azapo).

Separate delegations represent the South African government and the country's ruling National Party, and the African National Congress (ANC) and the South African Communist Party (SACP). It is a curious arrangement. The first two are one and the same, and the latter are the Siamese twins of South African politics, proclaiming a common cause and bonded by a long-standing alliance – but the arrangement suits the heavyweights at the negotiating table.

Chief Mangosuthu Buthelezi's Zulu-based Inkatha Freedom Party is also at the conference – but not the chief, who has stayed away in protest at the refusal of Codesa to give a separate seat to Chief Goodwill Zwelithini in his capacity as monarch of the Zulu nation.

The predominantly white, liberal Democratic Party led by Dr Zach de Beer, one of the country's elder statesmen, plays a mediating role. The Indian community, the smallest of South Africa's race groups, has no fewer than three representatives at Codesa: the conservative Solidarity and National People's parties, and a joint delegation from the anti-apartheid Natal and Transvaal Indian Congresses. Delegates of the Coloured (mixed race) Labour party look on while leaders of the nominally independent homelands – collectively termed the TBVC states – contemplate their options.

Transkei has thrown in its lot with the ANC; Bophuthatswana nurtures hopes of independence, or at least autonomy in a federal South Africa; Venda and Ciskei will probably opt for re-incorporation.

Decisions are by consensus. But if that proves impossible, by "sufficient consensus" – a splendid example of South Africa's coded political vocabulary, which at Codesa generally means "when the government and ANC agree".

Last month, however, saw confrontation rather than con-

Continued on next page

Michael Holman investigates reasons for the soaring crime rate

A high degree of violence

"THE criminals who rob, rape and murder seem to grow in number every day, and seem to get more desperate and brutal with each passing moment".

Mr Nelson Mandela struck a common chord in his closing address to the second round of constitutional talks last month.

Apart from anxiety about the outcome of negotiations themselves, no subject so preoccupies South Africa than the upsurge in crime, and the gratuitous nature of the violence that often accompanies it.

Among white South Africans, relatively untouched by the political violence that scars many black townships, it is a subject of almost obsessive concern. Whatever the causes of the crime wave, it undermines their confidence in the transition from apartheid to democracy. For black South Africans, who bear the burden of political violence, rising crime levels add to the burden of deprivation.

The figures themselves tell an alarming story. Criminal offences in general increased 10 per cent last year, compounding a rise of 8.5 per cent in 1990 over 1989; armed robberies were up 16 per cent (27 per cent in 1990 over 1989); housebreaking in traditionally white suburbs rose 13 per cent (22 per cent), and by double that figure in non-white areas.

The number of whites murdered went up from 305 in 1989 to 488 in 1991, blacks from 11,445 to 14,205, almost certainly linked to the 92 per cent increase in cases of illegal possession of arms and ammunition. (By comparison, 708 people died violently in England and Wales in 1991 out of a population of about 50m.)

But the bare statistics do not convey a pervasive mood of unease. A suburban housewife is shot dead in front of her children when her minibus is hijacked; a baby is shot during another car hijacking; a politician describes the night he and other diners at a Johannesburg restaurant were held up by armed men; an office worker tells of muggings in Soweto.

Security has become a growth industry. Concerned householders are offered electronically-operated gates and garage doors, video intercoms, armed patrols, Alsatian dogs, barbed wire fencing, panic alarms, radio car patrols, and for those who wish to take no chances, "European supervision at night".

South Africans black and white derive small consolation when told that all over Africa the picture seems broadly the same. Economies are depressed, unemployment is rising, police forces understaffed and under-equipped, and weapons easy to come by.

From Lusaka to Lagos, private security companies flourish, residents seek protection behind high walls topped with shards of broken glass, behind iron gates and barred windows, and hotels warn guests to take care after dark.

It may well be, however, that politics and crime overlap in a way that makes South Africa unique. "Criminals have become politicised, and politicians become criminals," observes one sociologist.

A depressed economy highlights the grim legacy of apartheid, political reform falls behind aspirations, ex-soldiers and guerrillas turn their talents to crime.

At the same time, the role of the police force – nearly 55 per cent of whose members are black or coloured (mixed-race) – is blurred. One third of the 110,000-strong force are used to curb political violence, weakening its capacity to deal with run-of-the-mill crime.

AK47s, the ubiquitous weapons of guerrillas in southern Africa, can be bought for a few hundred rands, hired over the weekend for less. Many of the rifles have been brought across the border from Mozambique, where poorly-paid soldiers and rebels readily sell or barter their rifles. According to a police spokesman, some 1,881 AK47 rifles were seized or handed in during 1991 – "a drop in the ocean," comments a private security company – as well as nearly 1,800 other rifles and 2,227 pistols.

Within the white community, dealing in weapons is done over the counter at gun stores catering for hunters and anxious householders alike.

At the end of 1991, there were 1.2m licensed fire-arm holders, with 3.2m fire-arms – suggesting in a total white population of 5m, most white adults possess a weapon.

The good news, however, is that violence on the political front, has been abating – though the situation could change rapidly, particularly after the failure of the last round of constitutional talks.

African and other states now welcome contact with Pretoria

On top of the world again

"WE'RE international now, you know," said the immigration official at Johannesburg's Jan Smuts international airport. She agreed not to stamp the visitor's passport, as requested – but made clear that his caution dates from a different era.

With barely an exception, African and other states who once refused visas to visitors with a South African immigration stamp in their passports, now welcome contact.

Trade that was once under the counter is coming into the open, cultural and sporting links with the world have been revived, and President F W de Klerk seems to be in competition with Mr Nelson Mandela, the ANC leader, over the number of foreign capitals they can visit.

Last October's Commonwealth conference, when heads of state agreed to lift what were termed people-to-people sanctions, such as visas and air links, seemed itself a watershed in Pretoria's relations with the world.

However, few events better illustrated South Africa's diplomatic breakthrough on the African continent than the effusive welcome accorded President de Klerk on his historic visit to Nigeria last April.

In a speech that placed his guest in the pantheon of anti-apartheid heroes that includes Mr Nelson Mandela, President Ibrahim Babangida put a seal on Pretoria's African breakthrough, and laid the foundations for an alliance between two regional super-powers.

South Africa's admission to the Organisation of African Unity (OAU) – of which General Babangida is chairman – must await formation of an interim government. But once a member, Pretoria will be able to borrow from the African Development Bank.

Trade and political links have also been established with Egypt and Kenya – the former seen as Pretoria's foothold in the Middle East. They complete a trio of strategic posts on the continent which, Pretoria diplomats believe, would also be appropriate for a post-apartheid government.

The same government officials who once had to cope with a hostile world are now helping mould foreign policy.

For the time being, at least, the ANC remains aloof from the process. But Pretoria's officials believe they share common concerns, including the need for a stable transition to democracy in Angola.

"We are an African country, and our problems are African problems," says Mr Neil van Heerden, director-general of foreign affairs: "We would want to say (to industrialised countries) as a bloc: 'We won't pay the prices you want for Mercedes if you won't pay a good price for our coal'."

He treads carefully when reviewing foreign policy, aware that priorities may change should constitutional negotiations reach agreement on an interim government. But he believes that foreign policy, in the past dominated by adversarial relationships, will now be strongly influenced by trading links.

"Our main priority is the Pacific rim," says Mr van Heerden, and expresses some doubt about prospects for membership of the Lome convention, which offers a group of developing countries preferential access to Europe's markets.

Membership may be difficult and a protracted process, Mr van Heerden believes. "We would look instead for a bilateral agreement between Pretoria and Brussels."

Eastern Europe, once a focus of attention, seems to be declining in significance for Pretoria. "There was a surge of enthusiasm," says Mr van Heerden, which led the opening or revival of several trade missions, "but now we regret it because what you find behind the Iron Curtain is a collection of poor countries."

State and city sanctions will continue to inhibit trade with the United States, but there will be a recovery of US business interest in South Africa, says Mr van Heerden.

The number of American companies fell from 360 to 110 as the disinvestment campaign took its toll: "Now we're seeing US corporations probing the market again."

Michael Holman

SOUTH AFRICA 3

Poverty will remain the most profound threat to a stable state, writes **Patti Waldmeir**

Battle to end the economic civil war

POLITICS is the least of South Africa's problems. For whether constitutional negotiations take months or years, whether apartheid gives way to democracy or autocracy, poverty will remain the central worry for most South Africans; and the most profound threat to a stable state.

"The urgent need to raise living standards and improve the distribution of income and wealth in South Africa poses a major challenge to policy-makers over the medium term," says a recent International Monetary Fund (IMF) report entitled Economic Policies for a New South Africa.

"Unless the rate of economic growth rises to a level well above that of the last decade, there is little prospect for reducing the current very high level of under-employment in the economy or for generating the resources needed to address social needs on a sustained basis."

'The economy is as strong as a horse,' argues Mr Derek Keys, the new finance minister, 'but it's got too many jockeys at the moment'

The irony of the new South Africa is that democratisation is itself impeding growth: ending apartheid has meant unprecedented social turmoil, as the battle for power pits black political groups against one another, police against township residents, organised labour against the government.

Mr Derek Keys, the new finance minister, describes the situation as "economic civil war". His aim is to promote a social compact between business, labour and the unions, to develop a "national consensus to grow".

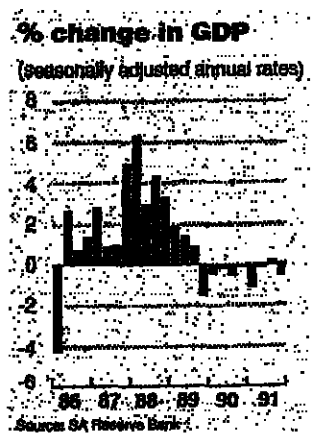
"My real first priority is to find the areas of consensus," he says, noting "you can't make people invest here, with all the political disruption that's taking place. I think if people see effective co-operation between business and labour and the state... I think that will be the biggest single contribution we can make to investment."

His message could hardly be more different from that of his predecessor, Mr Barend du Plessis, who resigned as finance minister six weeks ago after suffering a nervous collapse. Mr du Plessis clashed repeatedly with the largest union federation, the Congress of South African Trade Unions (Cosatu), over issues such as the introduction of value-added tax, and gained a reputation for arrogance and intransigence which exacerbated economic hostilities.

Cosatu had long demanded the formation of an economic negotiating forum, involving business, labour and the state, to debate the economic future. Within weeks of taking up his new post (Mr Keys became minister of trade and industry and economic co-ordination in January, adding finance to his portfolio in May), the new minister had met representatives of business and labour to plan the forum.

The aim will be to find "a national consensus to hold off on consumption expenditure and apply more to investment," says Mr Keys. In a country where class and economic power divide society as sharply as race and ethnicity, this could prove a tall order. For South Africa's blacks are scarcely in the mood to be told to defer gratification now in the interest of sustainable long-term growth: they expect at least some minimum improvements in living standards – clean water taps in the squatter camps, decent shelter, better education – and the African National Congress (ANC) would ignore these demands at its peril.

But the ANC knows that the key to future prosperity will be to promote investment in new productive capacity to stimulate growth and job creation.



Certainly, the record of growth over the past decade could hardly be more dismal. Real gross domestic product per capita has fallen by 1.1 per cent annually for a decade, leaving an estimated 5.5m people, or 40 per cent of the potential labour force, unemployed. For the past three years – when growth could have done so much to smooth the path to political reform – the economy has been in recession, and severe drought has made it likely that growth this year will be negative as well.

The deteriorating fortunes of the gold industry have also impeded growth. In the 1991/92 fiscal year gold contributed only one per cent of state revenues compared with 9.6 per cent in 1982/83.

CURRENT ACCOUNT BALANCE AND CAPITAL FLOWS

	1984	1985	1986	1987	1988	1989	1990
Trade balance	2.7	10.0	10.8	9.0	6.0	6.0	6.2
Current accouunt	−2.4	4.1	4.3	3.6	1.4	1.3	2.2
Net capital inflow	1.2	−6.8	−3.6	−1.7	−3.1	−1.9	−1.1
Change in net reserves	−1.3	−2.6	0.7	1.9	−1.8	−0.5	1.1

Source: South African Reserve Bank

The imposition of international financial sanctions severely curtailed what growth there would otherwise have been. To service the country's debt rescheduling agreement with foreign banks, growth had to be choked off at a very low level to avoid a surge of imports, which threatened the balance of payments.

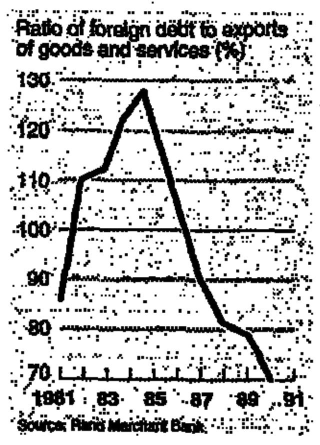
That constraint should soon be removed: international creditors have recently proved much more willing to roll over maturing debts, and some new lending should be available from commercial banks (though this will depend on political stability); from the World Bank (which will make development funds available once a multiracial interim government is installed); and from the International Monetary Fund (once the US lifts its political veto over such funding).

But Mr Chris Stals, governor of the South African Reserve Bank (central bank), believes an economic structural adjustment programme is needed first to create an environment conducive to growth. "South Africa has an economy where you get equilibrium only at a low level of growth. The moment you push it higher, you get inflation, skills shortages, etc... We need to have higher growth without disequilibrium. That requires action on monetary policy, fiscal policy, trade policy..."

He argues that the Reserve Bank has succeeded in stabilising the financial situation over the past year, with money supply growth now limited to under 10 per cent per annum (compared with 27 per cent in the late 1980s), bank credit extension rising at a rate well below inflation, the exchange rate stabilised and gold and foreign exchange reserves substantially strengthened, at R9.5bn, enough to cover two months' imports. Inflation, too, is improving, though a large drop in producer prices has yet to feed through into consumer prices, which continue to rise at 15 per cent annually.

But he says more remains to be done in terms of macro-economic restructuring. On this issue, Finance Minister Keys has so far said little. He believes that the economy is basically sound, agreeing with Mr Michael O'Dowd, a director of Anglo American Corp, who wrote recently: "So far from being a 'basket case', the performance of the South African economy in conditions of great adversity has, in recent years, been most impressive."

If Mr Keys plans drastic restructuring to place the economy on a higher growth path, he is not letting on. He accepts the case for lower tariffs, but plans no dramatic cuts, arguing – against received wisdom among local economists – that South Africa is not a high tariff economy. He shrugs off the problem of inefficiency and corruption in the civil service, highlighted recently when a commission of inquiry found that the government department which administered the black homelands had wasted or embezzled millions, perhaps billions of rands. And he defends as necessary a budget deficit which will probably exceed 5 per cent of GDP.



"The economy is as strong as a horse," he argues, "but it's got too many jockeys at the moment."

With a characteristically colourful turn of phrase, he elaborates: "Government is sitting facing forwards, hoping the horse will start off moving. The ANC is on it facing backwards, trying to get the horse to move backwards. Cosatu is sitting on sideways, hoping to claim the credit whether it goes forward or backwards. The private sector is standing holding the reins... bemused by what is happening on top of the horse.

"I see my job as persuading the private sector to start... leading the horse, regardless of what the jockeys think they are doing," he concludes.

He agrees with the IMF, that if economic growth is to be raised to 3.5 per cent a year (the minimum rate required to reduce unemployment) the ratio of investment to GDP will have to rise to 27 per cent from 19 per cent now. But under the IMF's scenario, that would mean a sharply reduced government budget deficit and average real wage growth of under 1 per cent a year. Both those goals are probably unattainable in the face of demands for increased social spending and for redistribution of corporate wealth.

But that, in the end, is South Africa's predicament: democracy cannot survive without growth; but the road to democracy is littered with so many impediments to growth – political instability, demands for social spending which boost inflation, labour militancy – that the democratic goal may never be achieved. It could hardly be a more daunting prospect.

KEY FACTS 1991

Area	1,233,404 sq km
Population	38.5m[1]
Head of state	President F W de Klerk
Currency	Rand
Average exchange rate (commercial)	$1=R2.7621
Economy	
Total GDP ($bn)	107.4
Real GDP growth (%)	−0.6
GDP per capita ($)	2,826
Consumer price (% change pa)	+15.3
Manufacturing production (% change pa)	−3.3
Mining production (% change pa)	−2.3
Reserves including gold ($bn)	3.6
Discount rate (% pa, year end)	17
JSE[2] indust index (% change)	38.67
Total external debt ($bn)	19.4
Current account balance ($bn)	2.7
Exports ($bn)	23.7
Imports ($bn)	17.1
Trade balance	6.6

1 Including independent homelands. 2 Johannesburg Stock Exchange

Source: SA Reserve Bank, Nedbank

Struggle for power

Continued from previous page
sensus. Delegates re-assembled for Codesa's second plenary session to consider reports from five working groups, appointed at the opening round last December. They dealt with five key issues:

- Creating a climate conducive to negotiations or "levelling the political playing field", as it has become known.
- Constitutional principles, and a constitution-making body.
- Agreeing on arrangements for the transition.
- Determining the future of the homelands.
- Working out the timetable for change.

Four of the committees were able to reach broad agreement and present their reports, although some serious differences were papered over.

However, Codesa failed to clear what may prove to be its most important hurdle: an agreement on how decisions are to be taken in the constitution-making body, paving the way for installation of a transitional executive and elections to the constituent assembly, which will also act as an interim legislature.

Underlying the proposals and counter-proposals about the percentages required for decision-making in the constituent assembly is the fundamental issue: where will power lie in a post-apartheid South Africa?

Or to put it another way: Will whites, in alliance with minority black parties, have a veto on change?

Codesa ended in deadlock. The working groups were suspended, and the management committee – comprising senior members of all main parties – was charged with finding a way out of the most serious hold-up in the negotiating process since Mr Nelson Mandela's release in February 1990.

Michael Holman

Patti Waldmeir examines the ANC's economic policy

Moderate rhetoric

THERE has been a revolution in the economic rhetoric of the African National Congress (ANC) in the two years since ANC economists returned to South Africa from exile. Only time will tell whether policy itself reflects the moderation in rhetoric.

The movement's first economic policy document, issued in September 1990, refers to the capital markets as a grand "paper chase", which must be harnessed to broad development objectives by a powerful state; calls for the establishment of "new state-owned financial institutions" to direct international and domestic finance toward development; proposes a National Development Plan to govern economic policy; and suggests voluntary or compulsory nationalisation of strategic enterprises.

The guiding aim of the whole was to create "growth through redistribution", an idealistic policy based on the premise that spending money – on social services and basic consumer goods – would somehow create wealth.

Mr Tito Mboweni, senior economist in the ANC's department of economics, points out that the movement's April 1992 policy document does not mention growth through redistribution. "That is no longer our policy," he notes, musing: "It's more complicated than that."

The new policy document was debated at a crucial policy conference at the end of last month. Its moderate message survived the conference.

Partly, this can be explained by the fact that the document skirts many contentious issues. It eschews any "rigid ideological framework" in determining the role of the state in the economy, then sets out three possibilities:

■ Increasing public sector economic activity through, for example, nationalisation (subject to compensation) or by purchasing a shareholding in companies through the market process;

■ Establishing new public corporations or joint ventures between the state and the private sector; or

■ Reducing the role of the public sector by privatisation.

With such a list to choose from, outsiders can be certain of only one thing: the ANC is keeping its options open on state ownership.

This also seems to be true of many other areas of policy. The old interventionist certainties, which many ANC economists brought back from exile in the eastern bloc, have not survived a brush with South African economic realities.

One senior economist spent his first weeks back in Johannesburg in 1990 confidently plotting the dismemberment of Anglo American Corporation, and the other conglomerates which dominate the economy. Now he argues that big is not necessarily bad, and cautions against any action that would impede the ability of the conglomerates to compete internationally. Chances are that the ANC will, in the end, pursue an active anti-trust policy which will reduce the exaggerated concentration of economic power; but officials insist they will carefully weigh the risks.

"We want to mobilise resources for development, but we don't want to destroy the economy in the process," says Mr Max Sisulu, economics department head. That caution is reflected in almost every recent economic pronouncement: ANC officials favour some kind of post-apartheid levy, or wealth tax, to finance development in the immediate aftermath of apartheid; but, in spite of squeals from white South Africa, this is not without international precedent.

Mr Mboweni stresses the need for fiscal discipline: "There is a need to avoid inflationary deficit financing at all costs". He mentions, approvingly, the IMF guideline that the government budget deficit should not exceed 3 per cent of GDP; yet the present government will be lucky to run a deficit of 5 per cent of GDP.

Given a chance, Mr Mboweni will also argue the case against a compulsory national minimum wage, stressing the importance of job creation which might be jeopardised by an imposed minimum. And while the September 1990 document focuses on the responsibilities of foreign investors, – Mr Mboweni now says the best way to attract foreign investment is to create a favourable environment: stability, democracy, guaranteed profit remittance.

It is too soon to say whether the new moderate rhetoric of the technocrats will survive the demands placed on the ANC's politicians when they assume power. For some of the ANC's senior political figures take a much harder line on nationalisation and other issues than the economists who write policy documents.

In the battle to win and keep power, populist economics may yet win the day.

Profile: DEREK KEYS

Burdened by expectations

WHILE THE architecture of South Africa's constitutional future is painstakingly negotiated at the Convention for a Democratic South Africa (Codesa), the responsibility for the economic foundations of that structure is lodged squarely with one man – Derek Keys, the minister of finance, trade and industry and economic co-ordination.

His task is as onerous and demanding as his title is long. It is also, in a wry sort of way, simple. He must arrest the declining standard of living of South Africans which, if it continues unabated, will undermine any constitutional settlement. The real gross national product per head of population declined to R3,275 in 1991 from R3,905 in 1981.

The main issue is growth, as Mr Keys has many times stressed since taking office in January – he assumed the Finance portfolio in May following the resignation of Mr Barend du Plessis. Though constitutional politics still dominate the public agenda in South Africa, the urgent need for growth is beginning to take on mild tones of hysteria, and not without reason. South Africa recorded negative economic growth of 0.5 per cent in each of 1990 and 1991 and looks set for another year of negative growth in 1992.

As Mr Keys is discovering, the burden of expectations is enormous. Though he comes to the job with the unanimous blessing of the business community, he has already been ambushed by free-market critics, particularly in the areas of tariffs and taxes, distressed at his unwillingness to engage in precipitate, across-the-board cuts. Others, less concerned by ideology, are nonetheless bemused at his approach to the task at hand. A grand plan to turn around the economy is sought, and none is forthcoming. Instead, Mr Keys resorts to tantalising vagueness with phrases such as "There's nothing to do but return to the old virtues".

Those familiar with the Keys method, however, warn against confusing style and substance. Thus Brian Gilbertson, Mr Keys's successor as chairman of the mining house Gencor, and one wholly admiring of his achievements, comments: "In four years of working for Derek I never saw him do any work. When I would come into his office he would either be reading the FT or standing at the window looking at the pigeons outside." On reflection, he says, there were four or five instances in which he saw Mr Keys working. He hastens to add, though, that Mr Keys was always impeccably prepared for board meetings, and his interventions, measured in their frequency, were often decisive.

A memorable anecdote about Mr Keys concerns the occasion on which he returned a memorandum delivered to him for decision by two senior managers with the comment, "I don't feel like Solomon today."

What Mr Keys's civil servants make of his management style is not a matter of public record. Some of it they will like, such as his habit of praising his senior lieutenants lavishly, and empowering them to take important decisions. The flip side of this they are likely to find most disconcerting – his resolute insistence on delegating not only the power to take decisions, but the responsibility for them, too.

Those wishing to assess how Mr Keys is likely to approach his job would do well to examine his time at Gencor. During the five and a half years there he achieved enormous success, much of it attributed to his managerial style and proficiency. He turned around an unwieldy, bureaucratic conglomerate, whose performance and rating were poor, into a highly-rated, entrepreneurially-driven and successful one. His main tools were to decentralise the group structure, empower the management and focus the group's activities through its mission of achieving real growth.

His present task may be different, but there can already be no doubt that he is practising the same managerial principles.

For Mr Keys, the way to achieve higher growth is through more investment, and the way to encourage this is through raising levels of confidence. This is not something he can achieve unilaterally: political uncertainty and violence are outside his ambit. Where he can achieve a great deal, however, is through helping forge an economic consensus among the main political actors.

With the establishment of an economic forum, on which the state and all the main business and labour bodies are represented, the wheels of co-operation are in motion. To the question of whether the forum is not just corporatism of the sort discredited in many other countries, Mr Keys replies: "This country would register an economic advance if we got to the corporatist stage."

A crucial question is how long Mr Keys will have in office. Most businessmen believe he needs at least five years, presiding through the transitional phase and into the first post-apartheid government. His lack of political and ideological baggage is a plus factor, but as one ANC spokesman commented: "He's a very nice fellow, but at the end of the day he's in an apartheid cabinet."

Philip Gawith

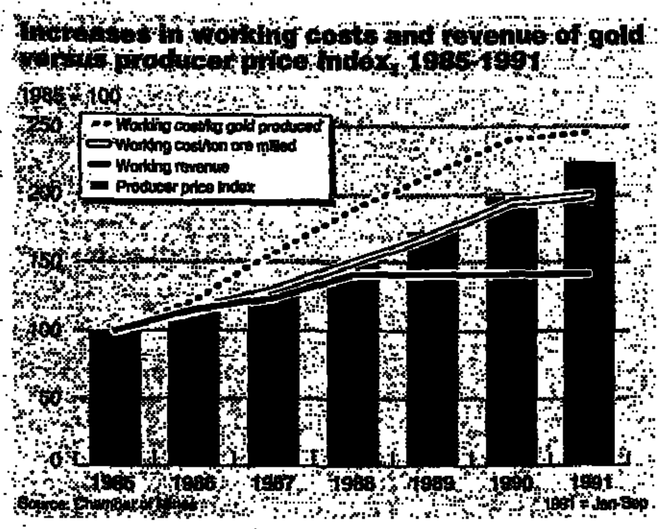
ON THE surface, it is business as usual. Mining men tell you, with the studied assurance of the old hand talking to the ingenue, that "Yes, we're at the bottom of the commodity cycle, and yes it has been a long and deep downturn, but no, we're not worried – we've been there before and we'll be there again."

They are being economical with the truth. Low commodity prices may well be familiar territory for resource companies, but there are at least two reasons for believing that South Africa's mining industry is at a more important juncture than the bottom of another commodity cycle. The first concerns politics – the downturn coincides with South Africa's emergence from political isolation, an event rich in business implications. The second, gold: in previous cycles there was the prospect of the gold price, and hence the fortune of the industry, performing contra-cyclically. The fact that gold has become just another commodity, however, has removed this cushion and focused increased attention on the future of the industry which is still at the heart of the economy.

The contribution of the mineral industry to South Africa's gross domestic product in 1991 amounted to 10.4 per cent. Mineral exports contribute 46 per cent of South Africa's total merchandise exports of R66.2bn. Gold share was just over R19bn.

Beneath the veneer, there is little doubt there is some hard strategic thinking about the way forward. Some of it will be painful – coming to terms, for example, with the fact that the pre-eminence of gold within exploration budgets can no longer be justified – but much of it will be challenging. At present the impression is that while political reform has released the industry from its geographic jail, it is still blinking as it gets used to the light. This is hardly surprising. Management spent much of the 80s engaged in an epic battle with a fledgling, but powerful, trade union movement. There was little time for strategic thinking, nor did the country's circumstances encourage it.

Understandably, the first post-sanctions trend to emerge has been the mining houses going outward bound. Mr Brian Gilbertson, the chairman of Gencor, clearly speaks for many when he says: "Internationalisation is an important [illegible] I don't think we've



MINING

Hard thinking about the future

achieved anything like what we would want to achieve." In pursuit of this ambition, Gencor and other groups have their geologists scouring Africa, South America and parts of Europe for deposits.

As Mr Nick Segal, group consultant on strategy and public affairs at Johannesburg Consolidated Investments (JCI), notes, however, there are interesting tensions in this process. From a balance sheet point of view, it makes sense to become an operator in a First World environment where there is a more stable operating environment, access to superior technology and less currency risk. On the other hand, the mining houses have an irrevocably South African complexion and hence a powerful interest in contributing to the political and economic stability of the region by investing there.

Perhaps the trump factor in this process will be exploration. Mr Bernard van Rooyen, executive director at Gold Fields, comments: "South Africa has a remarkably rich range of minerals, but it is also remarkably well explored." By contrast, many African countries have hardly been explored at all in the post-colonial era. Within South Africa, Mr Van Rooyen notes, with all known leads pursued, the challenge is to conceptualise where, in younger rock formations, mineralisation might occur and then to find means of accessing such deposits.

The enthusiasm with which mining houses explore opportunities abroad will also depend on what options they have on the home front. Here the tables are by no means evenly laid, and one reason why Gencor is understood to be taking a fairly gloomy prognosis for the future of gold, while being more enthusiastic about internationalisation and beneficiation as the way forward, may be their lack of good mineral rights locally.

In terms of important projects, beneficiation is the present focus. There should be decisions within the next six months on whether to go ahead with the Columbus stainless steel project, a joint venture between Anglo American and Gencor, and the Alusaf aluminium smelter – a Gencor project. Although their costing remains unclear, Columbus will probably cost about R3bn while Alusaf will be closer to R6bn. Both will be very large with Columbus planned to have a smelting capacity of 600,000 tonnes a year and the Alusaf expansion 466,000 tonnes a year.

The second half of 1992 will also see De Beers's Venetia diamond mine come on stream, as well as the Northam platinum mine, owned by Gold Fields. All platinum producers are expanding capacity.

The most significant recent capital expenditure announcement was Anglo American's decision in April to spend R1.7bn on the Moab extension to the Vaal Reefs gold mine. Some analysts have expressed scepticism about the viability of the project, to the extent of *claiming that the decision is* almost a political statement of belief in the future of gold. That may be the effect of the announcement, especially coming at a time when the gold price was at a six-year low of $335 an ounce, but Anglo clearly believe they have a commercial proposition. Notwithstanding the extreme depth and geological complexity of the mine, it has estimated recovery grades of 11 grammes a tonne making it rich by modern standards.

In spite of Anglo's announcement, the gold industry is at a low ebb. Without a better gold price, the industry is destined to shrink with JCI, Anglovaal and Gold Fields all sitting on substantial deposits which cannot be viably developed at present prices.

Although producers outwardly are putting on a brave face, most of them can see rising costs, but no rising price. In the period 1988-91 the gold price stayed in a very narrow range of about R1,000 per ounce with inflation running at about 15 per cent per annum. Few are brave enough to hope for anything better and, in spite of the enormous strides made by the industry in containing its costs, the profitability of the marginal mines continues to deteriorate with a number certain to close in the near future. At present prices, uneconomic gold mines account for about 12 per cent of total production and 15 per cent of employment.

The consequences of further lay-offs will be serious. Employment in the industry has already shrunk from 534,000 in 1986 to about 400,000, with the tragedy being not only that these workers often have many dependants, but that they are in most cases illiterate and unskilled and hence have little chance of alternative employment.

While most mining houses are involved in quasi-welfare work through training, education, and housing assistance schemes, they are helpless to assist once a worker is laid off. Thus it is not only for reasons of self-interest they are hoping the upturn in the commodity cycle will be a strong one.

Philip Gawith

Patti Waldmeir visits a Karoo town where race is a tortured subject

Catalogue of absurdities

CARNARVON, at midday, is a bleak and blighted place. On the hot pavements of this remote Karoo town – set in what novelist Alan Paton describes so evocatively as "a semi-desert land of space and freedom, of heat and rock and thorn" – jobless Coloured (mixed-race) labourers idle away the day, in listless conversation.

White matrons pass them, dressed in the outdated fashions of South Africa's rural heartland, before entering the cool interior of the Middle Karoo Co-operative or the Multisave grocery. With the practiced evasion taught by apartheid, they ignore the glances directed at them from pavement and kerb. The new South Africa will be a long time coming to Carnarvon.

Dominee Arnie Leeuwenink and his wife talk to a coloured parishioner

"In an area like this, I don't see how apartheid *can* be removed, because people are so far apart," says Dominee Arnie Leeuwenink, pastor of the Dutch Reformed Mission Church, which administers to the town's coloured population. Like every other institution in South Africa, the church has separate branches for whites, coloureds and blacks. In Carnarvon, the white and coloured churches are almost side by side: the coloured church (which serves a population of 7,500) is cramped and tiny, dwarfed by the solid edifice which serves the 800 whites.

Pastor Leeuwenink, who is white, tells a sad tale of racism in Carnarvon. Though the church has decided in principle to integrate, he speaks wistfully of a plan for a joint choral evening, which never seems to get off the ground, and notes that when a few coloured students visited the white church last year, some parishioners left in outrage to join a white-separatist splinter church. Pastor Leeuwenink and his wife are shunned by most of the town's whites, because they occasionally dine with their coloured parishioners; he was detained for 45 days in 1986 as a "communist".

Indeed, the history of Carnarvon provides a catalogue of apartheid absurdities rivalled by few towns in South Africa. Unusually for the Karoo, which was originally populated by light-skinned Bushmen and Hottentots, Carnarvon was founded as an African town, settled by Xhosa tribesmen from the Eastern Cape.

History is flexible here: some say they were rewarded with farms at Carnarvon because they fought on the side of white settlers in the Eastern Cape, others that they were sent thousands of kilometres away to the Karoo to get rid of them. Local historians also disagree on how the African farmers lost their land: either it was stolen from them by whites, or they sold it because they failed to farm it profitably.

Either way, Carnarvon started out as a town of whites and Africans. Yet there is no African township in Carnarvon today: indeed, thanks to apartheid's lunatic system of race classification, there are no Africans. There are only Coloureds, the mixed-race group which is one rung above the African on the apartheid ladder; coloureds live in better houses, go to better schools and receive higher state pensions than Africans.

This is not due to wild miscegenation between Carnarvon's whites and Africans (though illegal inter-racial sex was not uncommon). It resulted from the actions of Mr Andries Boezak (sic), grandfather of anti-apartheid campaigner Allan Boesak, who was charged with registering births in the local magistrate's office. Mr Boezak, an educated man who captained the Carvarvon cricket team in the days before apartheid, wilfully reclassified blacks as coloureds, with no racial basis for the decision, to flout apartheid and to ensure that the blacks of Carnarvon were not deported (as millions were from the rest of South Africa) to a new Xhosa homeland in the Transkei.

So when residential segregation was introduced in the 1950s, Carnarvon had only white and coloured areas – there were no blacks, so there was no black township. But even this threw up its own anomalies: for there was one prominent family of Indian shopkeepers in town, but no Indian residential area.

Apartheid deemed that the only solution was to force the Ahmed family to move several hundred kilometres to the nearest Indian settlement. They fought the decision in the courts, and were granted an indefinite permit to reside in a coloured area. They outwitted apartheid, and went on to buy most of the retail businesses in town, including that bastion of Afrikaner business, the Middle Karoo Co-operative. And, as a final ironic twist, young Goolam Ahmed recently purchased a homestead outside Carnarvon from a farmer who left town to join an all-white colony nearby.

Against that background, it is small wonder that race is such a tortured subject in Carnarvon. Integration has finally begun: since residential segregation was abandoned last year, some 15-20 coloured families have bought houses in the former white area. But the move was driven by economics, not a spirit of reconciliation: the dwindling white community, which has lost jobs due to recession and drought, could provide no buyers for the homes, which sold at R20,000-R30,000, a fraction of their former value.

The municipal swimming pool, too, is no longer segregated – though locals disagree on why it is not in use. Mayor Hennie Jacobs says there is no water; township residents believe there is a more sinister reason.

Young Koos, a coloured township activist, concedes that residential segregation has gone, but says inter-racial relations remain the same. "The heart of the Boer (Afrikaner) must change," he insists.

That, says Dominee Leeuwenink, may take a long time. "South Africa without apartheid will definitely be a better place, but the damage done by apartheid is so great that it may not seem so," he says regretfully. "It's like the Israelites looking back and saying it was better to be slaves in Egypt. There's a lot of moving through the desert yet to come."

Post-sanctions trading partners now focus on subsidies and tariffs

Back in the global fast lane

THE PAST two years have seen South Africa's re-integration into the mainstream of world trade proceed at a dizzy pace. The list of inward- and outward-bound trade missions is endless and civil servants who used only to dream of international visitors now complain at their frequency.

Perhaps the best measure of the speed of the whole process is that South Africa has already reached the stage where the privileges of access have to be balanced by the duties of conforming to international trading norms. During the sanctions era the country's political laws attracted attention. A signal measure of progress is that South Africa's trading partners are now starting to focus on such relatively banal matters as trade subsidies and tariff policy.

Although some countries and organisations, and states and municipalities in the case of the US, still maintain sanctions, that era, for all practical purposes, is over. The repeal of the Comprehensive Anti-Apartheid Act (CAAA) last July in the US was the main domino to fall. The other important developments were President F W de Klerk's visit to Nigeria in April, effectively signalling South Africa's full acceptance into Africa, and the easing of attitudes by the Scandinavians, *the most uncompromising in* their anti-apartheid stance.

Although the great flurry of business and political visitors testifies to the changed position, trade figures are less startling due mainly to the depressed state of the world economy which has dampened export opportunities, thus preventing the emergence of any obvious sanctions dividend. The value of South Africa's merchandise exports grew by 8.5 per cent in 1991, while their volume rose by 3.5 per cent.

While much, correctly, is said about the potential of African markets for South Africa, its main trading partners remain the world's largest economies – Germany, Japan, the US, the UK and Italy. The pattern in all cases is familiar: South Africa exports commodities *to these countries, often of* a strategic nature – gold, coal, vanadium, platinum, ferrochrome – and imports manufactured goods. Trade with these countries dwarfs trade with Africa which was estimated at R10bn in 1991. South Africa's total visible trade in 1991 was R114bn.

Deepening its exposure in these existing markets will, however, increasingly go hand-in-hand with entry into new markets where incremental growth opportunities lie. The opening up of new markets coincides with a shift in the composition of South Africa's exports. The strategic nature of many of South Africa's exports meant that they were largely untouched by sanctions. The growth opportunities are in those areas where South Africa has not traditionally exported – manufactured goods, and increasingly services, especially to Africa, but also to East and Central Europe and to the Far East. A high proportion of South Africa's manufactured exports are sold to African countries and South African exports to Africa grew by 40 per cent in 1989 and 22 per cent in 1991.

The opening of new markets coincides with a shift in the composition of exports

This trend is already evident in the trade figures. Export of manufactured goods increased *by 21 per cent in 1991, following* a 19.5 per cent increase in 1990. The period 1987-1991 saw manufactured goods as a percentage of total exports increase to 18.5 per cent from 13.5 per cent. The fact that this performance correlates closely with world economic growth over the same period casts doubt on the extent to which trade sanctions really affected South Africa.

This judgment is endorsed, at least in the case of the US, by Mr Don Steinberg, counsellor for economic and commercial affairs at the US Embassy. He notes that the CAAA only applied in areas that were relatively insignificant in value terms, such as textiles and fruit. Last year bilateral trade *between South Africa and* the US was $3.8bn, consisting of $2.1bn US exports and $1.7bn South African exports.

Mr Steinberg points out that, notwithstanding sanctions, South Africa accounts for almost half of all US exports to sub-Saharan Africa and a similar portion of all non-oil imports from Africa by the US. It can reasonably be assumed that the pattern is similar for South Africa's other main trading partners. The year 1990's figures of visible trade show South Africa's main trading partner was Germany, with trade of $4.9bn, while the US, Japan, Italy and UK were all in the $3.5-$3.9bn bracket.

Two major disadvantages which confront South Africa as a trading nation is that it does not belong to any trading bloc *and, according to Mr Wim* Holtes, chief executive of the South African Foreign Trade Organisation, 88 per cent of its exports are long-distance. Mr Derek Keys, the minister of trade and industry, has said he considers it a priority to achieve some sort of trade agreement with the European Community. The few trade agreements are with countries in the region and countries in East and Central Europe which, in the post-Communist era, were as desperate for friends as was South Africa.

It is clearly also in South Africa's interests to develop its neighbouring market. Three problems, however, prevent any quick realisation of this ambition: lack of finance to pay for goods on the part of South Africa's neighbours; lack of suitable goods in those countries which South Africa wants to buy; and the problem of "giantism" – South Africa being perceived as an imperialist power intent on dominating its neighbours.

South Africa's return to the international fold, and its own economic needs, are also focusing attention on the country's tariff structure. The external catalyst comes in the form of the Uruguay Round of GATT. South Africa has made an offer which, when implemented, will involve a gradual reduction in *ad valorem* duties to a maximum of 30 per cent, while the number of tariff lines bound against increase will rise by 42 per cent to 57 per cent of the total 11,000-12,000 tariff lines. Mr Gerhard Breyl, deputy director-general of the department of trade and industry, says South Africa's ability to effect more dramatic reductions is limited by its membership of the South African Customs Union (South Africa, Botswana, Lesotho, Namibia and Swaziland) whose other members want high tariffs to protect infant industries.

The internal impetus for tariff reform is the government's acceptance of the need to shift the economy from an inward to an outward orientation to boost growth. The Industrial Development Corporation (IDC) produced a report in 1990 which recommended that import duties be lowered sub*stantially, but in tandem with* other steps by government, such as a lowering of income tax, reduction of the import surcharge and lower inflation and interest rates, which would give local companies a fair chance of competing in international markets. Revenue constraints on government, however, have prevented it from delivering the fiscal side of this deal, and this clearly impacts on the pace at which tariffs can be reduced.

Though Mr Keys talks of a "strongish anti-subsidy feeling in government", free market critics are scathing of the government's unwillingness to go the Argentine route and effect overnight, drastic tariff reductions. Mindful, however, of unemployment already at high levels, the government is not prepared to engage in disruptive tariff reduction that risks aggravating this problem. Mr Keys says such a fundamental shift in industrial orientation takes time and requires training programmes and a social security net which South Africa lacks. "It just doesn't seem responsible to me" [a wholesale tariff reduction].

Mr Keys argues that South Africa is anyway not a high tariff country. He says tariffs are generally low, with high peaks in certain areas where formula duties, which rise automatically as the price of the import rises, apply. He says the revenue raised from tariffs on imports is about 6 per cent of *their total* value.

Philip Gawith

Corporate South Africa is holding up well

Hopes for a quick future

MOST South African businessmen believe business will flourish in the new South Africa because the operating environment cannot possibly be worse than that of the 80s. But, as Mr Meyer Kahn, chairman of South African Breweries, has commented, the quicker the future comes, the better.

He has good reason for saying so. South Africa's corporate sector is under considerable pressure from the effects of a three-year recession. Calculations from the Reserve Bank's quarterly bulletin reveal that operating profits of the corporate sector, as a percentage of the fixed capital stock of private businesses, declined from 12.5 per cent in 1985 to 9.4 per cent in 1989 and 8.9 per cent in 1991.

According to the Reserve Bank, manufacturing output, which started to decline in 1990, decreased at an annualised rate of 4 per cent in the fourth quarter of 1991. Real value added by the manufacturing sector dropped by 2.5 per cent in 1991. Percentage utilisation of manufacturing capacity reached a new low of 80.4 per cent in the third quarter of 1991.

An indication of hardship on the ground is the 41 per cent increase in company and close corporation liquidations for the first quarter. Cumulative motor vehicle sales, a useful indicator of economic activity, were 11.4 per cent down for the first four months of 1992 compared to 1991.

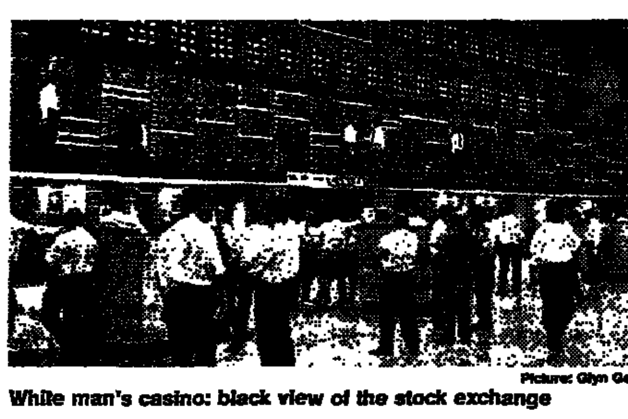
Although conditions are difficult, corporate South Africa seems to be holding up reasonably well. A survey by the Financial Mail of 160 leading industrial and commercial companies which reported in the second half of 1991, showed overall growth in earnings per share of 7.3 per cent, compared to negative 0.4 per cent growth for the same period in 1990. This was achieved in spite of lower turnover growth – at 13.7 per cent, below inflation – and shrinking margins. Interest cover was an average 5.1 times, suggesting balance sheets remained in fair shape.

Mr Charles Booth, research director at stockbrokers J D Anderson, says balance sheets are in better shape than at the bottom of the previous cycle when interest rates were higher and many companies suffered large foreign exchange losses. Companies learned their lesson then and this time *kept their* gearing down.

A number of blue-chip companies, both fixed-investment and consumer-oriented, reported a decline in earnings during the first quarter. Mr Booth believes, however, that recent results, notably respective *increases in earnings of 10* and 15 per cent from South African Breweries and Barlow Rand, the country's two industrial heavyweights, suggest that an upturn has begun. The fact that the performances of these companies was not worse, *in spite of the extremely* difficult trading conditions, is also a measure of the market domination that some of the large companies are able to exert within a small market.

If the upturn has begun, the question is whether it will replicate past upturns in which earnings growth of 20-30 per cent in the first year was normal. Mr Booth argues that the present upturn is likely to be more subdued on the grounds that there seems little prospect of a rise in commodity prices, particularly gold, which have *in the past helped fuel eco*nomic growth in South Africa.

Philip Gawith


Picture: Glyn Genin

White man's casino: black view of the stock exchange

STOCK EXCHANGE

New leader for a new era

THE political reform process in South Africa has galvanised many organisations into a fundamental reassessment of their role, often with the view that new goals necessarily require new structures. But as one senior banker put it: "You do not need new horses in South Africa. You need new jockeys."

The Johannesburg Stock Exchange (JSE) has experienced just such a change recently with Mr Roy Andersen taking over in May as president of the JSE from Mr Tony Norton. Much of Mr Norton's five-year tenure was occupied with systems and structures – improving the general functioning of South Africa's capital markets. Mr Andersen has already made clear that with the structures in place, it is now a question of ensuring that these match the needs of the emerging South Africa.

He is well aware that many of South Africa's leading black politicians see the JSE as little more than a privileged, white man's casino whose functions are wholly unrelated to the needs of the mass of South Africans. To a large extent this is a function of ignorance, but Mr Andersen will not gamble on a future government acting on its ignorance. He has, as befits a man of his military background, launched a pre-emptive strike, in the form of instituting a wide-ranging investigation into what the optimal structure of the JSE is as it enters a new era.

Mr Andersen says of the investigation: "It is an attempt to ensure the JSE controls its own destiny. We don't want things to be imposed on us." Certainly, if the JSE does want to convince the mass of South Africans that it has a wider usefulness, it has a long way to go. Although Mr Andersen is too polite to say so, he will be aware that in terms of affirmative action and black advancement, the broking community is at least 15 years, and much heartache, behind the accountancy profession, where he came from. There is not a single black broker, or trainee, on the JSE. The rewards, however, for those who make the effort, will be rich. One observer commented cynically: "He who gets the first black broker gets very rich."

Political change is not the only stimulus here. In its efforts to bring South Africa's capital markets more into line with international practice, the government will, during the present parliamentary session, alter the Stock Exchange Control Act, to permit, but not require, negotiated commissions, dual capacity and corporate membership.

Aside from assessing the extent to which the JSE will go the "Big Bang" route – investment community opinion seems to favour negotiated commissions, but not dual capacity and corporate membership – the investigation will also assess how well the JSE is performing its role as a primary and secondary market. On the former count, the JSE can point to a record R14.4bn raised during its last financial year. Liquidity, however, remains a problem. Market liquidity in the 1992 financial year was 4.3 per cent – considerably lower than most stock exchanges. The main reason for this is that institutions which dominate the market tend to hold on to lines of quality stock which are not readily *available, because their options* are limited by exchange control.

The silver lining to exchange control and poor liquidity is to be found in share prices which are inflated by the heavy weight of institutional funds with few alternative outlets. Gold and mining stocks have underperformed, in line with weak commodity prices, but the industrial index has scaled record heights. It rose above 4,600 points in late May, 12 per cent up since January following a 40 per cent rise in 1991.

Philip Gawith

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FINANCIAL TIMES

Philip Gawith explores the potential for foreign investment

Hopes for psychological boost

YEARS of international isolation have left a deep scar on the psyche of white South Africa, reflected in a desperate desire to be fully re-integrated into the community of nations.

The international travels of President F W de Klerk and the national cricket team's reacceptance into world cricket have given satisfaction. The acid test, however, lies at home. South Africans need to see three things to let them know all is well again: foreign tourists, foreign sportsmen and foreign investors. A plethora of national carriers at Jan Smuts airport and visits later this year from the All Blacks and the Wallabies offer reasonable comfort on the first two counts. Of foreign money, however, there is little sign.

The reasons for this are not hard to find, nor are they particularly ominous. The issue, however, is not one of economic need; South Africa is not so much short of money as it is of investment opportunities that inspire confidence. The problem, rather, is psychological: foreign investment is sought as the imprimatur that the outside world believes South Africa has a reasonable future. Without it, South Africans are prone to believe that clear-thinking outsiders have seen the future, and they do not like what they see.

Since February 1990, there has been little flow of capital into the country. Indeed, there has been a net outflow of foreign money from the capital markets, albeit at a progressively slower rate in recent years. In 1991, net equity sales by foreigners amounted to R4.1bn, while net purchases of gilts amounted to R2bn.

In terms of direct investment, it is instructive to look separately at South Africa's four main trading partners: Germany, UK, Japan and US. The chances of seeing any large headline investments from either of the UK or Germany is very small for the simple reason that most large companies from these countries are already invested in South Africa. Mercedes-Benz, Volkswagen, BMW, Hoechst, Bayer, Siemens – they were all here before sanctions and they never left. Likewise with BP, Shell, GEC, Lonhro, RTZ, Unilever and others.

Most of these companies, naturally, are continuing to invest in their operations here. Mr Peter Bacon, the British commercial consul, comments: "Having stuck it out through all the political problems and the economic recession, they are determined to stay and reap the benefits."

The US and Japan offer most scope for new entrants to the country. Although the six main Japanese trading houses have offices here, and companies such as Nissan, Toyota and Panasonic are present, albeit in a local guise, Japanese companies were banned from investing in South Africa from 1968 until recently, and hence are under-represented. The US position is different; many companies were here, but about two-thirds left during the sanctions period. Mr Don Steinberg, counsellor for economic and commercial affairs at the US Embassy, notes that in 1984/5 there were about 360 US companies in South Africa, with a total investment of about \$2.7bn. This has now dropped to 110 companies with investments worth about \$900m.

Mr Steinberg reports a "dramatic increase in interest in South Africa. My visitors' list looks like a list of the Fortune 500. This is too important a market not to find out what is going on". Indeed, South Africa remains by far the largest site of US investment in sub-Saharan Africa, being home to about half of all US non-oil investment in the area.

Mr Steinberg says that US investors are not, as many suppose, taking a "wait-and-see" attitude. He says that there are four to five companies on the verge of announcing "major new deals" in South Africa. They are merely waiting for some trigger political event, such as an interim government or an ANC welcome to foreign investors, before going ahead. The names most often mentioned in the Press are Pepsi, Heinz, Sara Lee and Apple.

Mr Steinberg cites five main areas where US investors have shown an interest:

- Black consumer market – cosmetics, appliances, food franchising. Electrification projects are expected to open up vast consumer markets, as is the rising income levels of employed blacks;
- South Africa as an export platform into the region, which was previously serviced by other subsidiaries;
- Involvement of US contractors in regional projects where South Africa is likely to be the importer of the final good or supplier of capital and expertise;
- Socio-economic spending in South Africa, which should have spin-offs in areas such as health and education equipment; and
- Investment by existing companies.

Although the US is the most likely source of a "headline" investment in South Africa, other countries are certainly not standing still. Some of the existing German companies are spending heavily, with Mercedes-Benz and BMW engaged with capital expenditure programmes of R500m and R300m respectively. There has also been a string of high profile visitors from Germany including the minister of economic affairs, the agricultural, economic and transport committees of the Bundestag, various deputy ministers and numerous individual politicians.

Likewise, Mr Bacon reports a fourfold to fivefold increase in the number of business visitors and market information inquiries compared to two years ago. Last year also saw about 10 large, officially-funded British trade missions to South Africa. Mr Bacon estimates that about 35 per cent, or £2bn, of foreign investment in South Africa is British. He notes that in terms of profits and dividends, South Africa is the UK's seventh largest foreign earner.

South Africans dream optimistically about being swamped by waves of Japanese investment. The truth is likely to be more mundane. Mr Shuji Okita, president of the newly-formed Japanese Chamber of Commerce and Industries in South Africa, says that although Japanese investors believe South Africa has a lot of potential, they are not in a hurry and it will take time for them to develop their investments. He believes they are more likely, in the first instance, to seek joint ventures with well-established local companies than to invest directly.

Mr Bacon endorses this view suggesting the logical order for development is that companies are first likely to appoint distributors for their products. If this goes well they will consider manufacturing under licence, or some sort of joint venture, before taking the route of setting up their own operation.

From the foreign investor's perspective, there is clearly ample reason for caution. There remains a high degree of political uncertainty and the economic policies of a future government are also unclear. Add to this a familiar list of sins – high inflation, high tax, low labour productivity and the risk of a depreciating currency – and one has a fairly powerful list of disincentives. South Africa also has many powerful and well-established companies which are likely to give any foreign competitor a torrid time. Finally, South African companies have not exactly been falling over themselves to invest in new capacity. There are no grounds for expecting foreigners to be any different.

The flip-side is obvious: the market has enormous potential. It promises also to be very profitable. Mr Steinberg says that in 1991 the US investment of \$900m earned profits of \$126m. There are not many countries offering that sort of return.

From South Africa's point of view, foreign investment will be a bonus rather than a necessity. The main benefits are likely to flow in terms of enhancing competition and allowing technology transfer, rather than in terms of sheer volume of capital flows. Even here, the flows would not have to be particularly large to make an important difference.

For the time being, though, investment trends are being obscured by the underlying growth environment. With South Africa likely in 1992 to record its third successive year of negative growth, investors can hardly be blamed for holding off until there are some signs of growth returning to the economy.

Complicated merger streamlines financial services sector

New market beckons for banks

THE South African financial services sector is in healthier shape than it was a year ago, and the man most responsible for this is Mr Piet Badenhorst, the formidable chief executive of Amalgamated Banks of South Africa (Absa).

Driven by a healthy ego and massive determination, he is a feared and respected figure in the banking community. Last year, he was the driving force behind the complicated merger which brought the United Building Society (UBS), Volkskas, Allied and part of the Sage group together to form Absa. This year he took the process a stage further by swallowing up Bankorp, the weakest of the big five banks in South Africa, in the process making Absa by far the largest bank in the country in terms of assets (the Standard Bank group remains largest by market capitalisation).

Absa have a lot of digesting to do, and not all of it will be pleasant. "Merger business is hell on wheels", in Mr Badenhorst's own graphic phrase. Apart from having to effect a very high number of retrenchments, Absa also have to come to terms with the rotten apples which constitute part of Bankorp's inheritance. As one senior banker notes: "The last bite of the cherry may not be so sweet as the first."

While Absa, for some time yet, will remain preoccupied with putting its own house in order, the impacts of the shake-up in the sector promise to be far-reaching. Mr Badenhorst believes the formation of Absa will have two main effects: "maverick marketing", the product of too many institutions competing for the same business, and epitomised by "ridiculous rates of interest being paid and credit being offered without proper screening", will cease with four institutions now under the same umbrella. Second, with less competition for employees, terms of employment will become more realistic as, in Mr Badenhorst's words, the "artificial scarcity of skills" disappears. "The employment market is shifting to the employer," he says.

The significance of the Absa merger is that the operational savings are large enough to give the group a fundamental advantage in terms of providing a low-cost banking service. South Africa has a very sophisticated financial services sector, but it is very much oriented towards the needs of the white, essentially First World, community. The challenge of the future is to address the needs of the developing market – largely black, and Third World in nature.

Mr Louis Shill, chairman of the Sage group and also chairman of the Life Offices Association (LOA), believes that the challenge facing all providers of financial services in South Africa is to "get down our unit costs to provide mass market products". The challenge to be overcome is that it is very difficult to be profitable with below-average sized products, whether they be bank accounts or life policies.

Mr Shill believes that addressing the needs of the new market will require new structures. "We can't take our company that is aimed at the very upper end of the market and adapt it to a completely different market. There's a world of difference between Harrods and Pick 'n Pay (a South African supermarket), though they both supply food." New products will also be required and intensive education of staff and clients. Mr Shill notes, for example, that at the lower end of the market, life policies are primarily seen as savings devices, and it is not always appreciated that the money is not available on call.

At the moment, addressing the needs of the black market tends to take the form of the large groups setting up satellite operations, such as Liberty's Charter Life and Southern's African Life, in the insurance field, and First National Bank's Future Bank initiative. Mr Badenhorst, however, argues that the process must go one stage further. He says there is a perception and a need in the black community that they need their own institutions. He envisages these developing, probably with the assistance of existing banks, initially at the lower end of the housing finance spectrum.

Although the jockeying for position in the developing market is driven by a keen sense of where new business is going to come from, it goes further than this. Conrad Strauss, chairman of the Standard Bank group, comments: "The conflict between poverty and democracy is South Africa's greatest dilemma. If we want to survive in a democratic society we First World institutions must get involved." He notes that the commercial banks play

Picture: Glyn Goole

Volkskas, Pretoria: part of the giant Absa group of banks

more of a role in the urban areas where their activities are centred. Addressing the financial and developmental needs of the rural communities is a burden, he suggests, which will have to be carried more by parastatal bodies.

Other than addressing the developing market, the main strategic challenge facing the local banking industry is their re-integration into the world community. On the one hand, this involves setting up offices abroad. Local banks are anxious to "follow the flag" and set up offices abroad so they can provide services, primarily trade finance and foreign exchange advice.

On the other hand, banks are facing the prospect of foreign competition on the home front. The areas where this is most likely to come is in the "blue-chip" corporate market and project finance. Foreign banks can set up representative offices, unrestrained by local capital requirements, and offer off-shore credit lines at lower rates than local banks. Their experience in project finance will probably also allow them to obtain a share of the business if significant capital projects such as the Columbus stainless steel venture get the go-ahead. Foreign banks will not attempt to compete with high-street banks and local merchant banks are also considered to have a strong hold on mergers and acquisitions business.

The main day-to-day challenge for the banks is maintaining profitability in an inflationary environment. Although the impact of a protracted recession is evident in the sharply higher provisions for bad debts at the large banks, these have been more than offset by the comfortable interest margins of about 4 per cent that are being enjoyed. Recent results from the Standard Bank group, First National Bank and Nedcor saw earnings per share rise by 20 per cent in the case of the first two and 13 per cent in the case of Nedcor. Although all the banks are anxious to put assets on their books, demand for credit is low and banks themselves are lending very selectively.

South Africa's main banks are all adequately capitalised, though it is difficult to maintain this position through retentions alone given the high inflation rate. This explains Standard's offering of a scrip dividend option and the recent rights offer by First National Bank, taking advantage of a favourable market rating.

Philip Gawith

Patti Waldmeir looks at regional development

Plans to redraw map

"IN THE 1970s, it was a fantastic offer to establish here," says Mr Hermann Dedekind, manager of Springbok Clothing, one of the tenants of the Babelegi industrial estate in the nominally independent black homeland of Bophuthatswana.

"But now you really wonder if it's worth it to come here. If it hadn't been for the huge incentives of the 1970s, we wouldn't have come," he concludes, passing judgment on *the policy of industrial decentralisation* which was a cornerstone of apartheid, and one of its most costly legacies.

For the aim of apartheid – euphemistically known as "separate development" – was to remove all blacks from South Africa to designated black "homelands" where they would pursue their own separate tribal nationhood. But apartheid's planners knew that blacks would not remain segregated in the homelands without jobs; so they spent billions of rands to persuade white businesses to set up, either in the homelands or on their borders, to help develop them into viable economic units. The idea was to give the homelands an economic as well as political rationale for existence.

Now the sinister political motive which spurred industrial decentralisation has been abandoned, but the problem of developing remote areas which *are home to half the black population* remains as acute as ever – perhaps more so, as the African National Congress (ANC) and the government are committed to helping those most disadvantaged under apartheid.

"Forty per cent of our people reside in overcrowded and underdeveloped rural slums," says a recent ANC document on regional policy. "They will, along with all their compatriots, be important voices in the land ... Their demand for roads, electricity, water, rural extension services, schooling, clinics, cinemas, swimming pools and running tracks will be strong."

And as both parties favour a strong regional bias to the constitution – Pretoria wants a federal constitution, while the ANC favours a unitary state with significant regional autonomy – the issue of regional development will remain a vexed one. The government has already proposed redrawing the map of South Africa to include nine development regions, rather than the present four provinces. The ANC largely agrees, though it proposes a tenth region.

Uncontrolled urbanisation could well frighten a new government into making decentralised development a priority. For South African cities are already struggling – and in most cases failing – to provide accommodation and jobs *for millions of immigrants* from the rural areas. By 2010, the Urban Foundation, a business-funded think tank, believes black urbanisation will reach 68 per cent, adding 14m to the urban total. Any new government may well be tempted to try to stem this flow, which would overwhelm urban infrastructure, by investing in development away from the main urban centres.

Indeed, in a recent document the ANC says its aim is to promote "a more balanced pattern of industrialisation capable of overcoming the current acute over-concentration of economic activity in certain urban areas".

But as the National party can tell them, this is dangerous ground. According to a government study published by the Development Bank of Southern Africa in 1990, the so-called Regional Industrial Development Programme was costly, inefficient, and failed to stimulate "self-sustaining growth and coherent regional development". The programme involved a range of extremely lucrative incentives to attract industry to remote regions, or to areas on the edge of existing metropolises – but always in or next to a homeland. The incentives included transport rebates, *subsidised power*, housing loans, provision of infrastructure, loans for capital requirements, interest rate subsidies, and a cash incentive in some cases equal to 80 per cent of the wage bill.

The Development Bank study found that the number of jobs created was "relatively insignificant", that 74 per cent of firms which benefited from the incentives were unprofitable, and that the system was subject to widespread abuse.

The Urban Foundation, in a separate report, concluded that it cost three to four 3-4 times as much to create one job under the programme as in the cities.

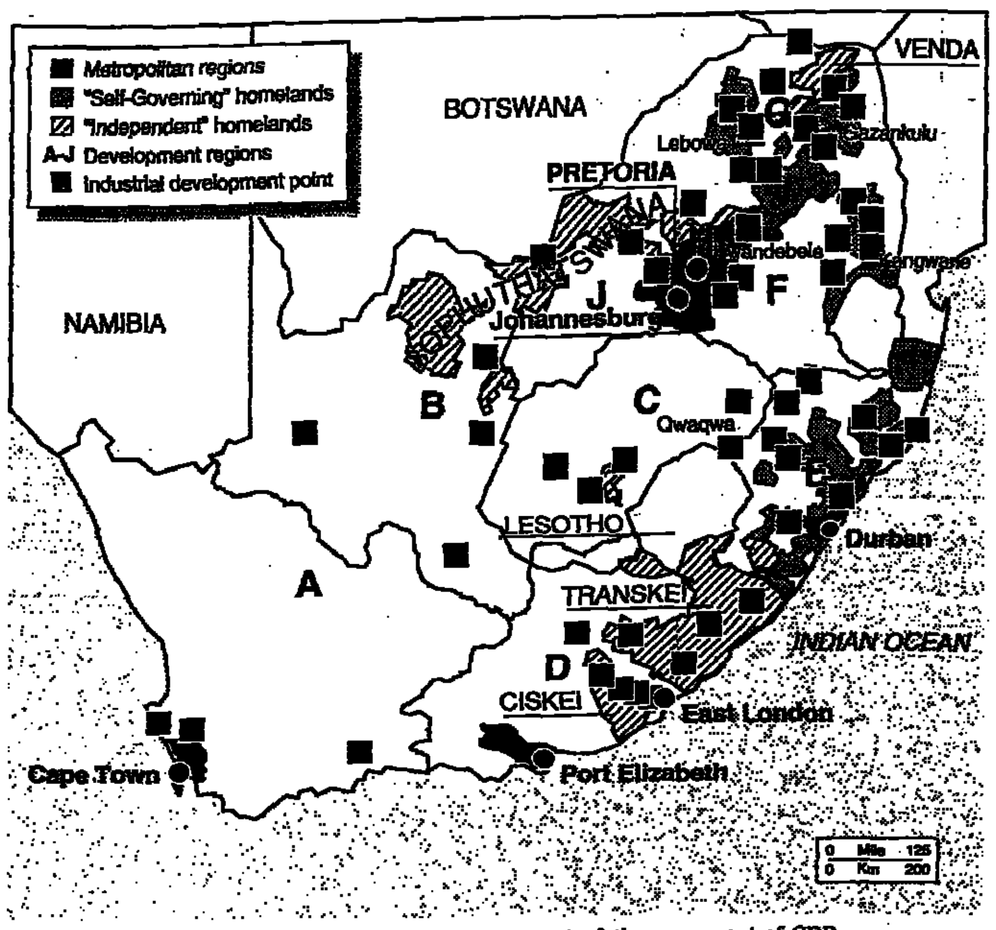
Last year, government reacted to these criticisms by scaling down the programme, and introducing much more modest market-related incentives. But the cost of the failed policy will remain a drain on the budget for years to come: R764m is budgeted this year for continuing payments under the old scheme (which will decline over time but remain high for years to come); and the new scheme is budgeted to *cost up to R500m a year*.

The risk is that the ANC, if it controlled the government, might also be tempted to adopt an interventionist industrial strategy which could prove equally unsuccessful. For the Urban Foundation's conclusion is that the industrial decentralisation scheme did not fail simply because of its dubious *political motivation*, but because such a strategy is fundamentally flawed.

"The international evidence suggests that the best policies for dealing with such problems are to re-organise the way in which the cities are run rather than attempt to stop their growth," the Foundation suggests. It advocates a regional policy based on exploiting the comparative advantages of regions in all economic sectors – not just industry, but tourism, agriculture and especially services – coupled with direct targeting of assistance to the poor.

So while negotiations will eventually solve the political problem of the homelands – most will be re-incorporated, though Bophuthatswana may seek autonomy in a federal South Africa – the problem of regional disparities in development will not go away. If regional boundaries were redrawn according to the ANC's plans, the new Border region, taking in the homelands of Transkei and Ciskei, would still have 10.6 per cent of the population but generate only 1.9 per cent of GDP; and the Northern Transvaal region, with 11.5 per cent of the population, would contribute only 3 per cent of GDP.

Any new government must somehow improve the appalling living standards in these areas, or risk a mass population influx to the cities.



Tough social problems loom

Daunting burden of development

"WE ALL, *whites and blacks*, think we're entitled to Swedish social security, but with Polish GDP. *It won't work like that*," says Mr John Kane-Berman, director of the South African Institute of Race Relations, highlighting the most daunting problem of the post-apartheid era: how to meet the enormous economic expectations raised by the prospect of black rule.

For any new government will immediately face one grim truth: that South Africa simply does not have the resources to raise black living standards overnight to white levels, and there is no explosion of economic growth on the horizon to meet the country's huge development needs.

South Africa's under-educated population lacks the skills needed for economic revolution along Far Eastern lines. And over the next generation, the sheer weight of numbers will depress efforts at economic upliftment: by 2010, South Africa's 1980 population of 29.1m will have nearly doubled to 59.7m, according to the Urban Foundation, a business-funded policy institute.

It is far from clear that the post-apartheid economy will be up to the task of housing, educating and employing nearly 60m people. Black South Africans may well find that life remains a struggle.

The first post-apartheid government will inherit a country where, in the words of the authoritative Second Carnegie Inquiry into Poverty and Development in Southern Africa, published in 1989, "poverty is deep and widespread and ... the degree of inequality is as great as in any other country in the world." For a nation so advanced – the World Bank classifies it as an upper middle-income developing country – the extent of poverty is striking.

The charity Operation Hunger feeds 1.8m people daily, victims of the three-year recession and this year's catastrophic drought. In 1989, *40 per cent* of the population (excluding the nominally independent homelands where poverty is rife) is estimated to have lived below the so-called "minimum living level" or poverty line. A recent IMF report* notes that in terms of social indicators such as life expectancy and infant mortality "black South Africa has done at best only moderately better than its neighbours despite its proximity to Africa's most dynamic economy".

The gap between white and black incomes further emphasises black deprivation: according to the Development Bank of Southern Africa, though black incomes have risen more than white incomes in recent years, the white share of total personal income was 54 per cent in 1988 (whites are 13 per cent of the population) while blacks representing nearly 80 per cent of the population had a 36 per cent share.

Apartheid has ensured that state spending on social services is similarly skewed. According to the IMF, government spent R4,087 per capita educating whites in 1990, and only R907 on blacks, R2,406 for coloureds and R3,055 for Asians. Pensions, which are a principal source of income for the poorest South Africans, are also unequal: whites get a R345 monthly payment, blacks R293. Health spending is also distorted. And while whites are all at least decently housed – South African cities boast some of the world's most luxurious suburbs on earth – over more than 7m non-whites live in informal urban dwellings such as shacks.

Racial disparities in social spending have narrowed *substantially* in recent years, and the government has devoted an extra R3bn of extra-budgetary funds for special education and housing projects. But the cost of introducing per capita parity between races would be extremely high. The IMF report states: "Equalising spending levels at the present white level would result in an overall level of social spending dramatically beyond the capacity of the budget."

SELECTED SOCIAL INDICATORS

Year	White	Coloured	Asian	Black
	Life expectancy at birth (in years)			
1970	68.5	58.0	62.5	
1979	69.9	61.5	64.8	
1980[1]	69.5	58.6	65.5	58.5
	Literacy (rates of adult literacy)			
1970	98.0	69.0	74.0	
1979	99.3	84.5	92.4	
1980	98.3	84.5	92.4	67.0
	Infant mortality (deaths per 1,000 live births)			
1950	35.7	134.3	68.5	185.0
1960	29.6	128.6	59.6	95.0
1970	21.6	133.5	36.4	85.0
1980	13.1	60.7	24.4	70.0
1988	13.2	57.5	17.4	57.4

1 1980 figures are computed at age 12 months
Sources: Eckert (1989); South African Department of Information, Official Yearbook of the Republic of South Africa; Department of National Health and Population, 1990 Health Trends in South Africa

EDUCATION INDICATORS IN 1990[1]

	White	Black	Coloured	Asian
Pupils (m)	1.0	7.7	0.9	0.3
Pupil/teacher	18.6	40.8	23.3	21.7
Expenditure/pupil (R)	4,087	907	2,406	3,055

1 Including public ordinary schools, secondary schools and technical training colleges
Sources: South Africa department of National Education; IMF staff estimates

It notes that overall spending on education and health (though not on pensions) is already high in relation to GDP: indeed, education spending, as a share of the budget and of GDP, substantially exceeded not only that of middle-income countries, but also industrial nations.

Abolishing the senseless duplications of apartheid would generate some savings: the new South Africa will not need 15 racially-based *departments of finance, 15 education* departments and 14 health ministries, complete with Mercedes-driving ministers in each one. But the cost of reincorporation is likely to exceed any savings: to raise per capita socio-economic spending on homeland blacks to the level which prevails in the Republic would mean a 38 per cent overall increase. And given that independence governments elsewhere in Africa have tended to increase bureaucracy rather than reduce it, there seems little chance that bloated homeland civil services or central government will be streamlined.

The IMF report concludes: "The scope for further compressing non-social spending (eg defence) ... is limited and therefore implies that social expenditures will need to be re-ordered if the budget is to attend to the needs of the least privileged groups of society without significant resort to deficit financing or to higher taxes." What this means in practice, *according to minister* of (black) education and training, Sam de Beer, is that if South Africa continues to spend 6 per cent of GDP on education (assuming 3 per cent overall economic growth and a 1:32 pupil/teacher ratio), government will be able to finance only seven years of compulsory education by 2000.

The inevitable conclusion is the one drawn by the late Mr Simon Brand, formerly Development Bank chairman: "We don't have the resources for the kind of welfare state we have been running for whites."

Substantially increasing taxes to fund greater social spending on blacks would be counter-productive, the IMF argues: "The tax burden on the white community appears to be relatively high even by industrial country standards. This would argue against raising tax rates in South Africa and running the risk of heightening disincentive effects."

The IMF concludes: "Redistribution policies will need to be firmly supported by growth-orientated policies if the social spending gap is to be effectively bridged."

For without economic growth, very little progress can be made toward a more economically just society.

Yet sustaining growth at the 3.5 per cent required for what the IMF calls a "meaningful increase in living standards" – during a period of great political and social turmoil – could well prove a tall order.* *Economic Policies for a New South Africa, IMF, January 1992.*

Patti Waldmeir

Agriculture has been hit by possibly the worst drought this century

Crisis year for farmers

ASKED whether he thought he would survive the political transition process, Mr Kraai van Niekerk, the minister of agriculture, answered: "No. Agriculture is the most dispensable portfolio." In any event, he added, he would take the first opportunity to return to his farm in the northern Cape.

The first comment displays political acumen. The second, many would say, is almost perverse. Following a decade of inclement conditions and deteriorating finances, the agricultural sector has now been hit by possibly the worst drought this century. Many farmers, given the choice, would happily swap the notional benefits of their life-style for the security of city life. Certainly, there is no stream on to the land. Last year the Land Bank, the parastatal lending organisation, repossessed 326 farms and could only resell 70 of them.

To minimise the economic and social impact of the drought, the government last month announced a R3.85bn rescue package, billed as the "most significant rescue bid in the history of South African agriculture". There was little alternative but to act in this way. Although comprising only 4.1 per cent of gross domestic product (GDP), the commercial agriculture sector provides employment for about 1.2m farm workers, or 13 per cent of the economically-active labour force, who in turn support about 6m dependants.

Given that South Africa already faces severe unemployment, and urbanisation on a scale which it is manifestly failing to handle, the arguments for trying to alleviate the crisis in the agricultural sector are clearly powerful. While the measures taken – effectively a one-off subsidy of R376 per hectare for all crop farmers operating in the 33 disaster drought areas – will go a long way towards minimising the social impact of the drought, the macro-economic implications are inescapable.

The South African Agricultural Union says provisional crop estimates indicate that only 22.9 per cent of the normal volume of agricultural production will be achieved in the summer rainfall areas. This varies from 45 per cent in the eastern region to 19 per cent, 18 per cent and 10 per cent in the northern, central and western parts respectively. Whereas in January economists were predicting real GDP growth of 2.5 per cent, the likelihood is that South Africa will have its third successive year of negative growth.

The impact on the balance of payments will also be significant. Traditionally South Africa is a net exporter of agricultural products to the tune of between R1.1bn and R3.7bn a year during the period 1985-90. This year, though, the country will have to import more than 5m tonnes of maize and probably 1m tonnes of wheat. The import bill for maize alone is likely to be R3bn.

The explanation for the agricultural sector's difficulties goes deeper than sheer malevolence on the part of the gods. Indeed, Mr Van Niekerk has been brave enough to admit that "mistakes" by government contributed to the present malaise. The background is that during the mid-1980s, when

ESTIMATED CROP SIZES COMPARED TO LOCAL DEMAND

Crop	Local demand (000 tonne)	Total production 1990/91 (000 tonne)	Estimated production 1991/92 (000 tonne)	% change
Maize: white	3,600	3,810	907	−76.2
yellow	3,200	4,016	1,195	−70.2
Grainsorghum	240	240	94	−60.8
Sunflower seed	590	589	117	−80.1
Groundnuts	85	78	85	+9.0
Soyabeans	125	126	73	−42.1
Dry beans	100	100	31	−69.0

Source: South African Agricultural Union

there was a succession of poor crops, the state provided a guarantee to farmer co-operatives to enable them to provide credit to farmers who would otherwise have found it difficult to continue. A total of R2.4bn was involved in this guarantee. Therefore, had the state simply walked away from farmers in the present drought, they were already committed to the tune of R2.4bn.

The R3.8bn scheme, spread over four years, effectively allows the state to buy out of its guarantee scheme. The state's assistance to the farmers has not been without controversy. Some argue: why only agriculture? Why not, for example, ailing marginal gold mines? Others argue that, within the agricultural context, the state is preventing marginal farmers from being weeded out while hampering better farmers through controls and restrictions.

Mr Van Niekerk has a two-fold answer for his critics. First priority, he says, is to ensure food self-sufficiency. "The government's aim is to supply good quality food at a reasonable price. But in the end the availability of food can only be ensured by the profitability of production for the farmer and not the consumer price, because if there's no food available, then the price is irrelevant."

The second part of his reply is that the drought relief scheme, by removing state guarantees, "guides agriculture back to free market principles with regard to dealing with agricultural debt". Although the trend in recent years has been towards making farmers' decisions more market-driven, the government has clearly adopted a very timid approach to reform in this area. Asked to what extent government has sought to actually encourage this process, Mr Van Niekerk replies: "If government is too prescriptive you run the risk of failure. It comes back to you. The farmers must decide. I'm not willing to decide."

There have, however, been some minor successes with the privatisation of meat inspection, seed inspection, quality inspection of export agricultural products, the deregulation of dairy regulations, the freer movement of meat and the abolition of wine quotas.

Mr Van Niekerk accepts that the marketing boards, which still wield considerable regulatory and price-setting powers in South African agriculture, especially in the key areas of maize, wheat, milk and meat, should alter their functions. He is critical of the fact that they not only formulate policy, but act as agent, too. He believes they should change function and become purely advisory bodies, with the actual marketing being left to the farmers, collectively or individually as they see fit. A successful precedent along these lines already exists in the deciduous fruit industry.

Deciduous fruit, together with citrus, is one of the few bright spots on the agricultural scene at the moment. One reason for this is that being situated in the winter rainfall areas of the western Cape and eastern Transvaal, these industries have escaped the drought. They also export large portions of their crop and have profited considerably from the end of the sanctions era.

Although the drought has dominated the policy agenda for the past six months, agriculture has not been left behind in the dash for the new South Africa. Moves are under way to rationalise the existing 14 agricultural departments into one, and increasing attention is being given to the question of how to assist black subsistence farmers to progress to the point where they become viable commercial farmers.

If the government really wanted to be useful, though, it would address the question of profitability. Real farming profits fell at an average 5.5 per cent per annum over the period 1980-1991. Unless that trend can be arrested, one must assume that future generations will prefer to import their food and play golf on the land instead.

Philip Gawith

Philip Gawith experiences the call of the wild in a tourist's paradise

Out of the cold into the sun

I do not believe there are many more impressive sights than a city man's first glimpse of a live, maned lion loose on a plain in a strange country.
Robert Ruark

FOLLOWING a recent visit to Sabi Sabi, one of the luxury game lodges in the Eastern Transvaal, I can unequivocally endorse the comments of the famous American hunter and novelist. The spectacle of two lions roaring at each other, literally yards away from our open Jeep, was one of such primal power and immediacy as to defy adequate description.

Likewise, the sight of a leopard cleaning her two cubs in a sandy river bed and, later, the massive, tank-like menace of the white rhino. But it is not only the big animals which constitute the appeal of the bush. The sights, sounds and smells are so distinctive, and the locations so remote, as to allow for the sort of relaxation not easily found elsewhere.

Robert Ruark would not have been familiar with the modern phrase "eco-tourism", but those who now make heavy play of the "eco" prefix are essentially making a similar appeal about the call of the wild in an age when the quality of city life is widely perceived as deteriorating. Already 80 per cent of visitors to South Africa come to see its fauna and flora.

Mr Clem Sunter, South Africa's leading scenario guru, has predicted that conservation is the area where the smart money is heading and he is enthusiastically supported by people such as Mr Dave Varty who is associated with the Londolozi and Phinda eco-tourism developments. Mr Varty comments: "We see eco-tourism as being the next major growth industry in South Africa." The reasoning is simple: wildlife is a finite resource, for which there is an increasing tourism demand.

It is also an area, of course, in which South Africa has a competitive advantage. Only a handful of other countries in Africa can offer a similar product, and South Africans believe they offer a more sophisticated wildlife product than East Africa and a better balanced destination overall. In support of his claim, Mr Varty cites the high occupancy rates achieved by places such as Sabi Sabi, Londolozi and Mala Mala through the sanctions period.

Although eco-tourism is seen as probably South Africa's main marketing feature, enthusiasm in the tourism industry is more widely based. Mr Pieter van Hoven, chairman of the South African Tourism Board (Satour), notes: "We've come out of the cold era into the sun. For many years we had to deal with South Africa's moral unacceptability as a tourism destination. Now all this has changed. Effectively the country can market itself on equal terms with other competing destinations."

South Africa markets itself, not unreasonably, as "a world in one country". From game parks in the east, to the Drakensberg mountains in Natal and fine beaches along the coast, there is a lot of variety to offer the tourist. Aside from intrinsic merits, however, Mr van Hoven believes the tourism industry has a good future merely in catch-up terms. He notes that the industry at present only constitutes about 0.7 per cent of gross domestic product, compared to a world average of about 10 per cent.

In 1990, South Africa attracted about 1m visitors, making it the fourth most popular destination in Africa behind Tunisia, Morocco and Algeria, all short-haul destinations. Mr Org Marais, minister of tourism, talks in terms of South Africa attracting 3m foreign visitors by 2000.

Mr Van Hoven says any post-apartheid benefit in 1991 was obscured by the detrimental


Picture: Glyn Genin
Roaring trade: the fauna and flora attract 80 per cent of visitors

impact of the Gulf War. He says, however, that for the first quarter of 1992 quite a few European markets showed growth of 45-47 per cent compared to 1990 and he forecasts overall growth of 30 per cent in foreign visitors for 1992.

The government has recently shown a new-found enthusiasm for the economic potential of tourism. A White Paper in May outlined a policy for assisting the industry, including financial assistance for new tourist accommodation projects and a commitment to deregulate the industry to assist the private sector.

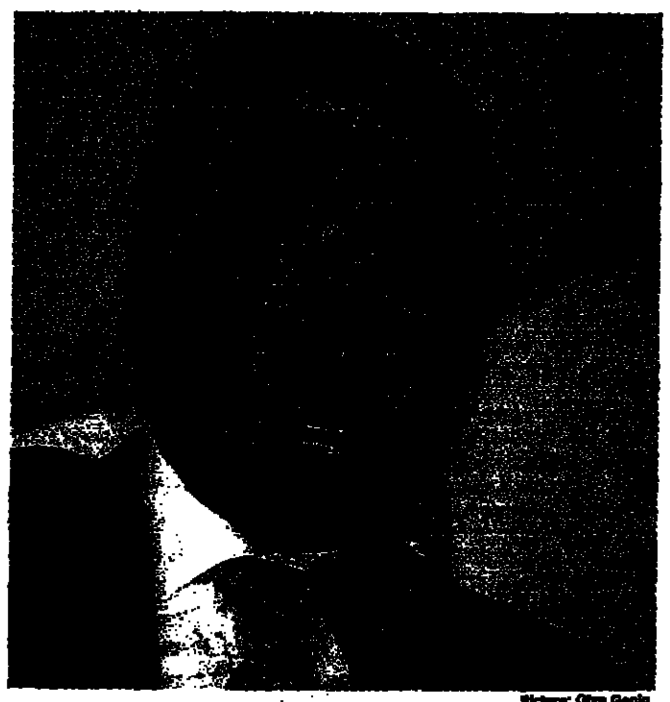
A recent liberalisation of international aviation policy should also make South Africa a considerably cheaper destination to fly to. Last year saw 16 international airlines start new scheduled flights to South Africa.

There is not yet much indication of additional investment from the private sector, because there is considerable spare capacity following a few lean years in the hotel industry. That said, industry consensus is that up to five foreign hotel groups are likely soon to announce investments.

In a category of its own is the R730m Lost City project being developed at Sun City by Mr Sol Kerzner. For the faint-hearted worrying about whether the country has a future, there could be no greater gesture of faith.

'De Klerk is clinging to levers of power'

Mr Nelson Mandela, president of the African National Congress (ANC), speaks of his concerns and outlines his vision of a new South Africa in an extensive interview with **Richard Lambert, Michael Holman, Patti Waldmeir** and **Philip Gawith**



Picture: Glyn Genin

Nelson Mandela: "No minority group should be disadvantaged"

What are the most important themes in South Africa today?

Nelson Mandela: The most important development in the country is the Convention for a Democratic South Africa (Codesa) ... Problems have arisen serious enough to destabilise negotiations. There is the question of the violence which has been raging since 1984 in the course of which more than 13,000 innocent people have been killed. We have believed throughout that the government had the capacity to put an end to the violence ... but our view has been that for one reason or other the government is reluctant to use its capacity.

That was disturbing enough but it is the involvement of Mr [FW] de Klerk, the head of government, that has disturbed us most ... The total pattern (of the violence) is trying to destabilise the ANC ... and it seems clear to us that the idea is to prevent a democratic government dominated by the ANC.

No doubt De Klerk does want fundamental democratic change, but what he does not want is to have a democratic government dominated by the ANC. In spite of the fact that he wants democratic changes, nevertheless he is clinging to the levers of power ... which they have enjoyed for the last 44 years. These two issues threaten the whole negotiating process.

But we are determined that this process should succeed and that is why we are demanding the immediate installation of an interim government which will be representative of all national groups. One of the aims of the interim government would have to be to take over security and it is only then that we hope it will be possible for us to restrain the enemies which perpetrate this violence.

What is your concept of power-sharing after the interim period?

NM: We have come out with a very clear policy ... we call for one person one vote. We call for a bill of rights ... we call for an independent judiciary which will entrench the powers set out in the bill of rights. Even when a democratic government is installed, no minority group should be disadvantaged because the constitution is going to be drawn up by a body which has been established through free and fair elections. We go further to say that the amendment of the constitution should be done by a two-thirds majority. We also go further to say that the new parliament should be built on the principle of proportional representation so that every political party which gets above a certain percentage of votes will be represented ... I think we have done everything which would be expected in a democratic country.

What we are not prepared to do is to give power to a minority of less than 15 per cent of the population, as the whites are, give them the right to veto the decisions of a majority taken lawfully in parliament. No country has ever done that and that is what De Klerk wants. That he cannot get. That we cannot accept. But we are very concerned that if the first government should really receive the support of the population not only by virtue of the fact that the majority will have voted for it, but that it should be seen to represent everybody, we should inspire confidence among all the national groups in the country ... assuming the ANC gets an overall majority in the forthcoming election, it would be proper to build this national confidence to offer parties which have lost, a seat in parliament.

Would you extend the question of proportional representation beyond the national assembly into the executive?

NM: No ... [but] of course we are going to make sure that the executive is representative of the national groups in the country. When we say that we want a government of national unity, we mean it. National unity can only mean that the institutions of government ... should be representative of all groups. But that will be a decision which will be taken [by the government] not as a result of the constitution.

What will you do about the civil service?

NM: The details of what will be done by a democratic government [will] depend on the conditions that exist at the time. It suffices to say that we do not intend to throw people into the streets simply because a democratic government has been installed. What we are determined to do is to democratise the civil service to ensure that it is representative of all groups. This will be done in a humane manner.

We will also look at the fact that the civil service is too big and the country cannot carry such a service. These questions will be examined very carefully but in such a way as not to create any dislocation, any turmoil. What is important is not only to attain victory for democracy, it is to retain democracy, and that is not going to be very easy. We have to be absolutely careful as to how and in what manner we will bring about changes in the civil service.

Should there be a clause in the constitution on affirmative action?

NM: We are suggesting only that we are concerned to put in the constitution that the economy of the country must be developed in such a way as to promote the welfare of all population groups and leave the details to be worked out as we tackle specific problems.

Negotiations seem to be proceeding very slowly ...

NM: If one takes into account the background of our country the fact that over two years we have made such progress is to me in itself a miracle ... what we are not prepared for is to have experiments on democracy ... in this country the simple fact has been and still is today that a party which polls the most votes is called upon to run the country. There is no reason why it should change simply because Africans or blacks are on the verge of having an effective say in any future government.

Sports-mad South Africa has been welcomed back into the fold

Something to cheer about

Running mates: black and white athletes compete together in the new South Africa

THE emergence of South African sport from years of isolation is replete with irony, not least that the sport which led the way was cricket. After all, if the start of South Africa's sporting isolation can be put down to a single event, it was the announcement in 1969, by the then South African prime minister, Mr B J Vorster, that the England cricket team was not welcome in South Africa with the coloured cricketer Basil D'Oliviera (ironically, a South African exile).

Cricket was also responsible for the nadir of the isolation era – the infamous Gatting rebel tour in 1989 which caused widespread civil unrest. Again, ironically, it was this tour which galvanised cricket administrators into grappling with the impact of apartheid in sport, with such success that few could begrudge them their right to be the first sport re-admitted to international competition.

The past year has seen events move at a giddy pace. South Africa has been re-admitted to the international Olympic movement, and will participate in the Barcelona Olympics, and the national cricket team has been to India, the West Indies and the World Cup in Australia. Later this year, Australia and New Zealand will play rugby internationals in South Africa.

Last time South Africa played rugby against New Zealand was in 1981 at Eden Park in Auckland, a completely surreal affair highlighted by an anti-apartheid demonstrator repeatedly buzzing the ground in a light aircraft while flour-bombing the players.

From Eden Park in 1981 to Bridgetown, Barbados, in 1992, where South Africa played its first test against the West Indies, is a long way. In between was the era characterised by South Africa's isolation and the slogan "No normal sport in an abnormal society". As punitive measures go, sporting sanctions were enormously effective. South African sportsmen and women were deprived of the athlete's ultimate goal, the right to compete against the world's best.

Whether the sanctions hastened the process of political reform must be doubtful. However, they have undeniably been enormously important in pressurising (white) establishment sports administrators into getting their house in order. Men such as Mr Sam Ramsamy, now head of the National Olympic Committee of South Africa (Nocsa), who led the drive for sporting isolation, made the normalisation of sport contingent on a simple equation: international competition depended, first, upon the achievement of unity between different, normally racially-biased, administrative bodies in each sporting code; and, second, the implementation of development programmes within these codes for uplifting the disadvantaged sector.

Although some sports have done better than others, the overall advance towards unity has been rapid. Mr Ramsamy comments: "Progress has been tremendous from the side of the establishment (white) bodies simply because they realise they can't get international competition without it."

After Barcelona, the accent will fall on development. A two-pronged strategy will be pursued, with the development of an élite, who can provide role models, being encouraged, as well as a "sport-for-all" policy which will eventually provide all children with access to sporting facilities.

Now, however, progress on the sporting front is being hampered by the slow progress of political negotiations. Thus the thorny question of national symbols, such as flags and anthems, remains unresolved. Commentators at the cricket World Cup were encouraged not to refer to the cricketers as the Springboks, and athletes at Barcelona will not perform under the national flag. Should they win a medal they will have to listen to Beethoven's "Ode to Joy".

A further irony of the sports unification process has been the dominance of the ANC and its sporting allies. In spite of white South Africans being completely sports mad, the government has almost entirely abdicated from the sporting arena. The sport portfolio in cabinet is tagged on, almost as an afterthought, to the porfolios of National Education and Environment. Although there would have been no re-admittance to world sport without the reform efforts of President F W de Klerk, all subsequent developments have been the fruits of efforts by non-establishment individuals. On the Olympic front, this was Mr Ramsamy. But the man who emerged as the absolutely crucial figure, particularly as regards cricket and rugby, was Mr Steve Tshwete of the ANC, previously a very senior figure in the armed wing of the ANC, *Umkhonto we Sizwe*.

Nobody doubts that without Mr Tshwete's support, South Africa's cricketers would not yet have left these shores. And the picture of a tearful Mr Tshwete hugging the South African captain, Kepler Wessels, after the historic World Cup victory over Australia did more for the ANC's support among whites than any number of political speeches could achieve.

Moments such as that lend truth to the dewy cliché about sport building bridges between people. The gap to be traversed, however, remains large. When South Africa came so close to achieving a hugely improbable victory over the West Indies, only to crumble on the last morning, white South Africa went into mourning. The Sowetan, the largest black daily paper, celebrated, however, the "Magnificent West Indies victory".

Still, the time is now much closer when South Africans can watch their sport without worrying about politics. Already, patriotism has enjoyed an unexpected comeback. For many South Africans patriotism has always been a dirty word, full of unhealthy political resonances about being on the side of the oppressor. The World Cup, for the first time, allowed people to feel patriotic without being ashamed. It was a liberating and healthy experience, and it was not only whites who enjoyed it.

Philip Gawith

VEHICLE MANUFACTURING TECHNOLOGY

Car manufacturers, in the struggle for advantage or survival, in one of the most harshly competitive activities, are using virtually every technology. This includes the development of materials, applied robotics and new energy applications. John Griffiths reports

Competition gets fiercer

THE world automotive industry of the 1990s is unique in the demands it places on the processes of industrial design, development and production and the technologies which *make them possible.*

This uniqueness stems not so much from the technological sophistication of the product – the latest Mercedes 500 is hi-tech but hardly stands comparison with an Airbus – as its combination with the problems and complexities of manufacturing in large volumes.

Car plants this year will produce nearly 40m vehicles. Each vehicle contains, on average, nearly 10,000 individual parts. In addition, the industry will produce more than 4m commercial vehicles. It is the world's largest manufacturing activity, and its most multi-faceted.

As part of the manufacturers' struggle for advantage, or survival, in one of the most harshly competitive activities, the industry subsumes virtually every technology. This includes the development of materials, applied robotics and new energy applications.

In the past few years, competition has been added to other environmental and legislative pressures. Cars and trucks – and there are expected to be more than 500m on the world's roads by the early 21st century – have become an enormous environmental problem.

In endeavouring to minimise their environmental impact, the motor industry is exploring a broad array of actions, for example, vehicle weight-saving in order to improve fuel economy and alternative energy *sources and recycling.*

Many of these will bring, or are bringing, change in the processes and technologies to what has been mainly a steel-based metal-bashing industry.

In the area of vehicle bodies, for example, aluminium and plastic composites are challenging traditional steels. Both are much lighter than steel. Neither suffers from steel's propensity to rust.

Audi, Volkswagen's executive car arm, is sufficiently convinced of aluminium's benefits to have committed its next V8 saloon to be built in aluminium using a spaceframe concept in which unstressed aluminium panels are to be attached, possibly through bonding rather than welding.

If such construction were to be adopted on a wide scale – by no means a foregone conclusion because of aluminium's high cost – there are implications right through the manufacturing supply line, heavily impacting foundries and the demand for traditional dies and stamping and pressing systems.

The advent of plastic composites for body parts, similarly, is drawing in new processes and players. Large *chemical groups such as Dow* and Du Pont are anxious not to lose the impetus they have gained from projects such as General Motors' Saturn with its 240,000 cars a year capacity, in which car bodies are made of thermoplastics hung on a steel skeleton.

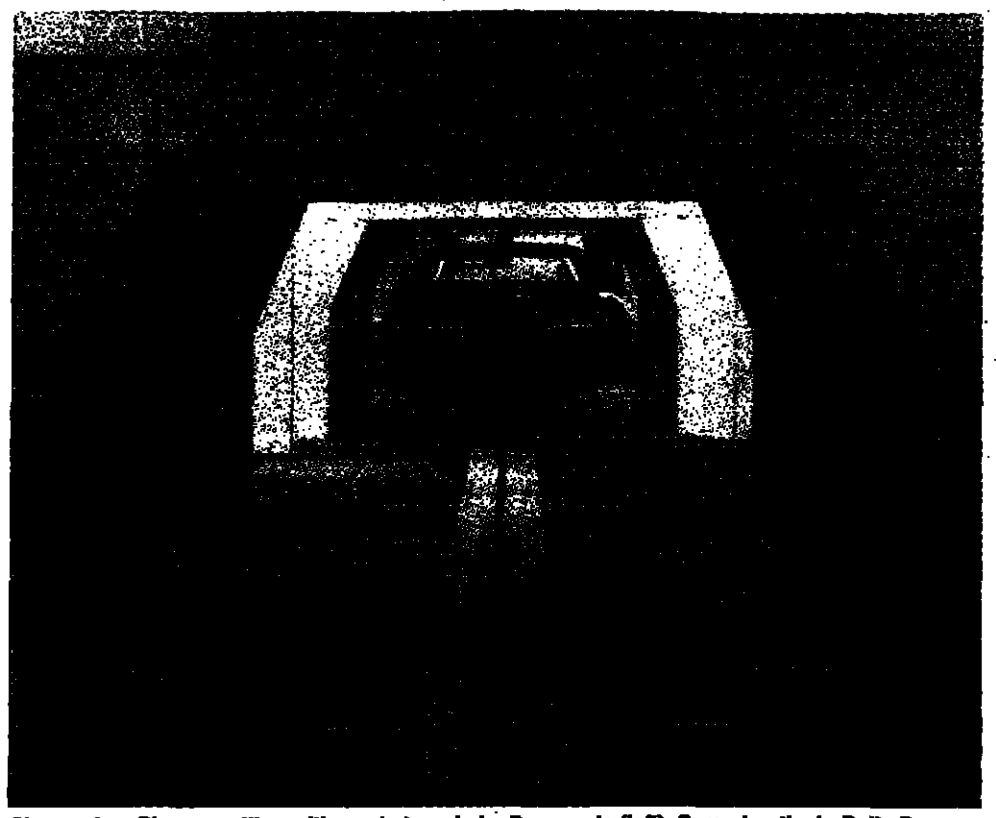
The past three or four years has seen a spurt in the manufacturing technology for such materials. The industry has learned how to make plastics stampable into body panels and is making rapid strides in reducing the lengthy cycle *times needed to make injection*-moulded components – one of the material's biggest drawbacks.

Such developments are stimulating those engaged in processing more traditional materials to fight back. Fritz Winter Eisengeiberie, the German foundries group and one of the world's biggest independent iron castings suppliers, has introduced a process for casting iron. It was developed by Professor Lennart Backerud *and it is claimed that it* reduces the weight of a casting by 30 per cent and costs by 10 per cent, with no loss of strength.

Pressures are mounting not only to make vehicles lighter and cleaner but also the manufacturing processes. Nowhere has this been more apparent than in vehicle paint plants which use tens of millions of gallons annually.

The industry is switching to water-based paints rather than the aromatic solvent-based materials which have contrib*uted to atmospheric pollution.* The latest generations of car plants endeavour to capture, clean or even recycle their manufacturing emissions.

Opel's Russelsheim plant captures such emissions and turns them into energy for the plant. Volkswagen's symbol of manufacturing cleanliness has become famous: shoals of goldfish swimming in pools of recycled water. Specific manufacturing technology improvements such as these are being introduced within a much broader scenario of change, brought about mainly by heightened competition from the Japanese.



Sharp edge: Plasma cutting with a robot made by Panasonic (left). Spray booths in Rolls-Royce Motor Cars' new paint plant in Crewe (above), the industry is switching to water-based paints rather than the aromatic solvent-based materials which contributed to atmospheric pollution

The Japanese industry can bring a model into production in three years or less, compared with a typical five years or longer for most Western producers. Even the Japanese have begun to conclude that this might be overkill and that four years is a more sensible norm.

However, while reaching this conclusion, the Japanese *industry has acted to use the* design and engineering abilities it has acquired to broaden its product spread and probe into an increasing number of specialist niches.

The US industry, first in the firing line of Japanese market share ambitions, has been enthusiastic in its adoption of simultaneous engineering techniques to help it fight back.

General Motors, in particular, appears to be reaping significant benefit from a system which has its origins in Japan. The concept is deceptively simple. All operating elements of the manufacturer are involved simultaneously with a new car from first concept through to the first vehicle coming off the production line.

That might appear to be self-evidently the proper course – but it is not one that has been followed by Western producers. Instead, the typical procedure has been to undergo the sequential process of a team designing a vehicle, then forwarding the concept to the *engineering division*, where compromises are made to make driveline equipment fit.

Subsequently, the finance division usually puts pressure on for cheaper components to be used in some areas, introducing more compromises. As the finale, the manufacturing division is then likely to point out that the vehicle is too difficult to make, or that additional investment will be needed in adapting production lines.

However, none of it would be possible without the wealth of computer-driven technology. This has allowed the creation of master databases for all a company's divisions and even outside suppliers to work off simultaneously, together with the computer-aided design, manufacturing and logistics systems which lie at the heart of the industry.

As Europe braces for its own era of much-increased competition with Japanese cars, the simultaneous engineering concept has taken swift root. Indeed, BMW has created *perhaps the largest single* research engineering centre in the European industry in pursuit of simultaneous engineering principles.

Its Fiz centre in Munich, a futuristic maze of towers and multiple connecting walkways, houses nearly 6,000 engineers, none of whom has to walk more than 150 metres to talk to a colleague. It allows a first-concept designer easily to discuss with a production line engineer (the building houses prototype production lines) the manufacturing practicalities of even an outline design idea.

Such are the Fiz's advantages, according to Dr Wolfgang Reitzle, head of research and development at BMW, that it is cutting two years from BMW's development cycles. The design of the building is based on the concept that, if physical distances between two designers or engineers are greater than 150 metres, the easy interchange of ideas or discussion of problems is discouraged.

It represents a recognition by BMW that competitiveness is as much a function of the proper organisation of human resources as of technology.

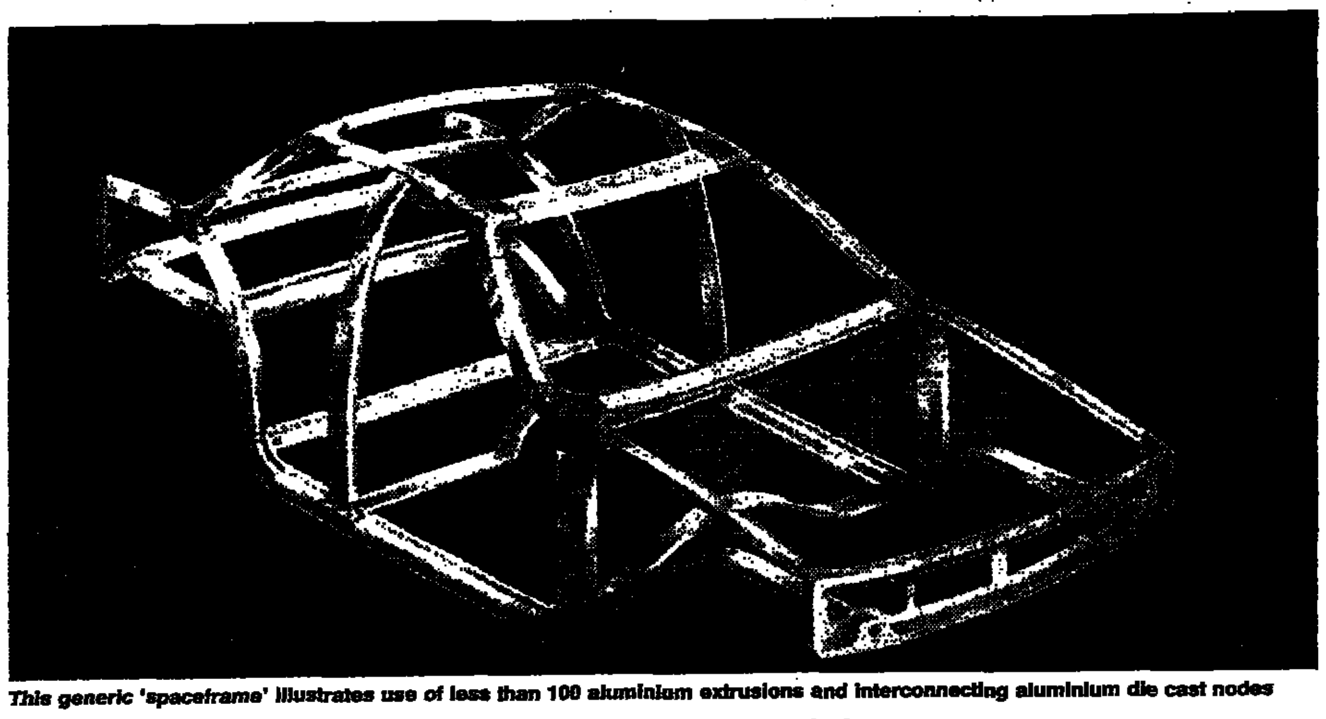
Similar thinking lies at the heart of the lean production concept which, started by Toyota several decades ago, is seen by virtually every large car maker as the only way of securing the long-term future.

Lean production, identified by a five-year study of the world car industry by a Massachusetts *Institute of Technology* team, involves using teams of multi-skilled workers at all levels of a company's organisation, in concert with highly flexible, increasingly automated machines to produce lower volumes of products in greater variety.

The study concluded that with this process Western producers are hoping to close the production gap with Japan. For example, a US plant takes 25 hours to assemble a car compared with an average of 13 hours in Japan.

It is not clear what is meant by lean production. Only last month Mercedes-Benz, for the first time facing real pressure from Japanese manufacturers, opened a new plant at Rastatt with *the claim by* Mr Werner Niefer, chief executive, that it was the most advanced car-making facility in the world.

He asserts that production and management at Rastatt are lean and capable of cutting production costs by at least 25 per cent while ensuring quality and the near-abolition of traditional post-build rectification procedures. The lean procedures, he insists, are Mercedes' own and owe nothing to Japan. Rastatt will be watched closely by the industry.



This generic 'spaceframe' illustrates use of less than 100 aluminium extrusions and interconnecting aluminium die cast nodes

☐ NEW MATERIALS

Is aluminium key to future?

FROM next year a pioneering, $70m plant at Soest, near Düsseldorf in Germany, will start supplying Audi, Volkswagen's prestige cars division, with aluminium extrusions, castings and other components. These will be turned into skeleton-like 'spaceframe' bodies for Audi's next-generation V8 saloon.

From then on, the world's motor industry is likely to start learning in earnest just how serious a rival aluminium is likely to be for traditional steels when it comes to the production of car bodies in anything other than token volumes. Until now, aluminium has been used as the integral body structure, almost exclusively for low volume and mainly expensive specialist cars or racing cars, typified by Aston Martin or Honda's NSX. Alternatively, it has been used as body cladding, in the form of unstressed panels, on vehicles like the Land Rover.

The Soest plant, however, will have the capacity to produce spaceframe components for up to 100,000 cars a year, with Audi as its first customer. It is described by Mr Paul O'Neill, chairman of Aluminium Company of America which is building it, as "the single most significant programme Alcoa has ever developed for, and with, the auto industry".

Alcoa has spent ten years of joint research with Audi to develop the systems and processes for what amounts to a new approach in vehicle body production, and one expected to require, if not new forms of assembly plant systems and techniques, then potentially considerably altered ones.

That Audi is able to contemplate such a programme at all is due to the development, over the past decade, of new aluminium alloys, vacuum pressure casting and extruding processes and robotic welding techniques. How well they work in practice will determine whether Audi is right in its professed belief that, with environmental concerns mounting, aluminium-bodied cars are the way of the future, because of their light weight – and thus reduced consumption of fuel – and the ability of aluminium to be totally recycled.

According to Audi design chiefs, the spaceframe body of the next V8 saloon is likely to be up to 40 per cent lighter than its predecessor's steel body. Alcoa's AIV (aluminium intensive vehicle) system has at its core the production of a frame of extruded members making up the 'bones' of the spaceframe, joined at nodes to aluminium castings and reinforced by structural panels of aluminium, such as bulkheads, floor and inner wings.

Indications are that while adapted robotic welders will play their usual role in joining the extrusions and castings, the structural panels will be adhesive-bonded or mechanically fastened, perhaps both, to the spaceframe, diminishing the role of multi-welders.

Other companies have been researching intensively the potential for bonding instead of welding. The UK's Rover Group, formerly BL, and Aluminium Company of Canada (Alcan), for example, developed jointly a volume manufacturing process for aluminium-bodied cars which, in the mid-1980s, was originally intended to become the next Metro.

The system involved the production of aluminium pressings from rolled sheet and their joining together by a combination of spot welds – but many fewer than on a conventional steel body – and toughened epoxy resin adhesive. As Dr David Kewley, Rover's chief engineer, advanced technology and materials, points out in a study, *Towards the Aluminium Car*, produced by the Aluminium Extruders' Association, "it would have been the next Metro, but it was a hell of a risk to take. We decided we would rather be an excellent second with the technology than a mediocre first".

Rover is unlikely now even to be second, having suspended its work on such structures, as concerns about its privatisation and other preoccupations changed the course of its history. But Alcan's work with other manufacturers, including Volvo and General Motors, has continued. Indeed, the aluminium industry increasingly is arguing that the fundamental auto industry scene is shifting from one in which the aluminium companies have had actively to promote their potential, to a demand-pull from the car makers themselves. "The auto companies are beating a path to our door", according to Alcan's chairman, Mr David Morton.

With the Alcoa/Audi project, development of the spaceframe members has required the creation of thin-wall die-casting techniques, as well as the development of heat treatable alloys capable of withstanding the stresses involved in a vehicle frame, including crashworthiness.

Many obstacles still stand in the way of an early, wholesale substitution of steel with aluminium in car bodies for the volume market – not least the initial high cost of the material itself. If they are overcome on a large scale, it will not necessarily be good news for that part of the manufacturing industry which traditionally has supplied the dies and other tooling for the several hundred pressings which typically make up the monocoque bodies of current steel cars.

One of the attractions of the Alcoa project for Audi is that only about 100 individual parts are needed to make a spaceframe body, meaning fewer dies and casting and thus sharply reduced tooling costs. Such developments have prompted a recent study by consultancy group, Brook Hunt Associates, to forecast that the use of aluminium for body parts will grow by more than eight times between 1990 and and the end of the decade, to more than 100,000 tones a year. When other aluminium components, such as gearbox casings and cylinder heads, are taken into account, it expects more than 1m tonnes a year to be used in cars by 1997-98.

John Griffiths

Plastics makers' mixed feelings

INCREASING enthusiasm among vehicle makers for aluminium as a solution to their weight-saving and recycling problems was much in evidence at the Society of Automotive Engineers' annual congress in Detroit two months ago. It is a development regarded with mixed feelings, however, by the manufacturers and processors of plastic composites.

Should the enthusiasm extend to cladding with aluminium panels the spaceframes which would form the primary structure of an aluminium car, Dow, DuPont, GE and others among the big plastics producers could be disadvantaged. It is only recently that they have begun making significant inroads into the potentially very high volume market for vehicle body panels.

Less than two years ago, the composites sector was given a big boost with the launch of General Motors' $4bn Saturn project in Tennessee. Saturn saw the adoption, for the first time ever on a 100,000-plus annual volume car, of a body comprising a steel spaceframe hung with recyclable thermoplastic panels. Yet Saturn is only the latest of several vehicles making extensive use of such materials to be developed by GM.

If the Saturn plant and General Motors' leisure van facilities were working to full capacity, the composites industry would currently be supplying the bodies for nearly 500,000 vehicles annually to GM alone, if production of the Corvette sports car was also included. The GM vans, sold under various badges such as Chevrolet Lumina and Pontiac TranSport, also use plastic body panels on a steel spaceframe, with capacity available for 200,000 units a year.

The vans' panels, however, are of thermosets, which can only be chopped up or burned after their useful life ends whereas thermoplastics can be melted down and used to make something else.

Nevertheless, both types have allowed GM – and in Europe, Renault with its plastic-bodied Espace "people carrier" – to benefit from the lower tooling costs involved in producing moulds rather than the dies for stamping steel; the greater flexibility of body styling which plastics allow, and the ability to mould in one piece a complex body part which otherwise would require the welding together of four or five separate metal pressings.

Their achilles' heel, however, is the longer cycle time inevitably needed to produce components and recyclability.

John Griffiths

☐ CASTINGS

A technology which is still developing

ALTHOUGH cast iron is one of the oldest engineering materials, it still plays a big role in vehicle engine manufacture. The majority of vehicles on the road today use cast iron cylinder blocks, and many of them use the material also for crankshafts. The only alternative material of significance, and the most widely used for cylinder heads as well as for transmission (gearbox and final drive) casings, is cast aluminium alloy.

It follows that casting technology remains a key factor in the production of vehicle drivelines; it may also gain greater importance in other areas.

The two main driving forces in the development of casting technology today are the desire to automate production as far as practicable, and to achieve further improvements in the accuracy and consistency of the castings produced. The greatest attention has been devoted not to the actual materials used for casting, these having already been optimised over many decades (centuries, in the case of cast iron) but to the techniques of the process and the materials used for the core-making.

The basic technique of casting is to form a mould by assembling several "cores" of some suitable material, and then to pour in the molten metal. When the metal has cooled, the cores are removed to leave the rough casting ready for machining and assembly.

The traditional core material is compacted sand, which has the twin virtues of resistance to the high temperatures involved, and of (relatively) easy removal afterwards. Its principal disadvantage is, of course, the inability to form cores of complex shape, or of great dimensional accuracy.

Modern casting methods for complex components are increasingly based on the "lost material" process, which finds its origins in the "lost wax" process long used by dentists to form dentures, and later adopted by the aircraft gas turbine industry as the most accurate way of forming turbine blades. In this process the core material, whether conventional sand or some more advanced composite of sand and stabiliser, is inserted around an accurate blank reproduction of the component itself. The blank is made from a material which melts or vaporises at molten metal temperatures (polystyrene foam is most widely used) and is expelled from the mould having performed its task of ensuring dimensional accuracy.

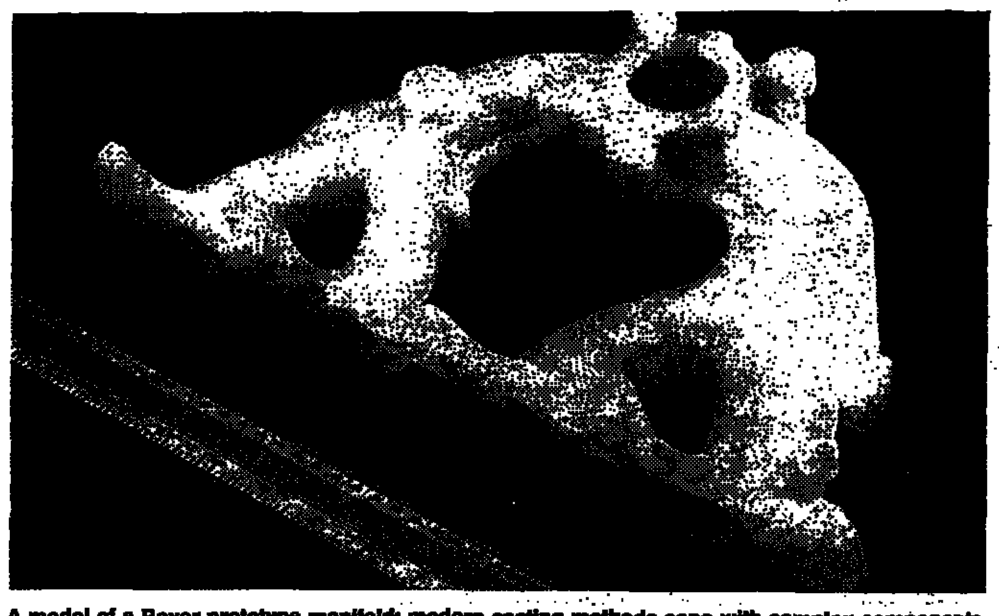
Another aspect of casting now closely studied is the means of filling the mould. Simple pouring has been complemented in some cases by vacuum assistance, used for instance by Toyota in the manufacture of large cylinder blocks, or by positive pressure, widely employed by the French car manufacturers for the production of aluminium alloy cylinder blocks and heads. Pressure die-casting is an expensive process, calling for massive investment in production machinery, but it produces extremely accurate and "clean" components which need a minimum of fettling and subsequent machining. Even where such techniques are not used, it has become commonplace to study metal flow into a mould by computer simulation, using a combination of hydrodynamic and thermal transfer calculations, to achieve the quickest filling and the most satisfactory grain flow in the final component.

Accuracy of production has become an important factor in all modern casting. The engine designer is under pressure to save weight, and is greatly helped by being able to depend on thin walled castings of sufficient consistency. The smaller the production variation from the intended wall thicknes, the thinner the walls can be made, and the lighter the block becomes (with a useful complementary saving in material and process energy costs). The order of magnitude improvement achieved, mainly in the USA, in the accuracy of iron casting during the 1950s enabled the material to remain competitive when for a time it seemed its position would be almost completely usurped by aluminium alloy.

Modern production techniques marry advanced core technology with accurate core placing, often now carried out by robot, and the "back to back" production of several components at a time, as practiced by PSA's main cylinder block foundry in France. Techniques and materials are selected on the basis of close financial scrutiny; nobody uses an expensive method where cheaper one will suffice, and reinforced sand cores still give good results especially where component design has been carefully considered to ease casting problems. The fundamentally simple design of modern cylinder blocks, helped by the removal of the camshaft to the cylinder head, has been a blessing for the foundrymaster.

Aluminium alloy castings may also soon find a place in body engineering, which has hitherto been the reserve of welded sheet steel pressings. Research carried out by Alcoa has resulted in castings which are relatively ductile, and avoid the brittleness which until now has been a characteristic (due to porosity and gas inclusion) of all cast materials. Alcoa now suggests that car body "skeletons" could be built up from precision extruded beams slotted into cast "junction boxes", with substantial weight savings. The company has already established a German factory to manufacture sub-assemblies on this basis, its first customer being Audi. If the venture succeeds and the technique becomes widespread, casting could become an even more significant technology for the motor industry of the future.

Jeff Daniels



A model of a Rover prototype manifold: modern casting methods cope with complex components

Andrew Baxter looks at computer-aided design

Expanding into new areas

THE automotive industry was one of the pioneer customers for computer-aided design and manufacturing equipment, and remains an important testbed for new products and applications.

Vehicle producers recognised the benefits to be gained from designing on screen, long before phrases such as "simultaneous" or "concurrent engineering" loomed over Detroit's horizon. Large companies are into their fourth or fifth generation of equipment.

The same holds true for their suppliers, particularly in the automotive design sector. Abbey Panels, the Coventry-based producer of full-size vehicle body models and prototypes, realised in 1978 that it needed the best Cadcam available to survive as a leader in vehicle modelling.

Companies such as Abbey, which uses the Euclid-IS 3D solid modelling system produced by Matra Datavision, have taken advantage of the growing sophistication of Cadcam software. Solid and surface modelling has become a vital element in the success of simultaneous engineering, although by no means a guarantee of the idea's main aims – reduced product development times and improved quality.

For the big vehicle manufacturers, Cadcam installations are in almost constant flux. Rover Group, for example, is spending £17m over three years on upgrading its Computervision Cadcam facility to support its concurrent engineering strategies while enhancing product quality. The UK motor group has been using Computervision equipment since 1983.

Cadcam with solid modelling is expanding into areas of hitherto unparalleled design complexity.

Lucas Commercial Diesel Systems is using a Computervision CADDS 4X system to model complex castings for products such as its EPIC electronic fuel injection system for high-speed diesels.

Solid modelling enables Lucas quickly to develop the correct numerically-controlled (NC) toolpath for manufacturing the product, reducing time-to-market and increasing quality levels.

The motor industry's voracious appetite for products and software to keep the design process competitive is providing business for many of the smaller players in the computer systems business.

Wisdom Systems, based in the US, has a technology called knowledge-based engineering (KBE). It automates the simultaneous engineering strategy, and builds a knowledge-based model incorporating not only the geometric variations of the product but also all relevant manufacturing, costing, production planning and marketing constraints.

The system has been tried at PSA, the holding company of Citroën and Peugeot. It has produced an optimised design for a mechanical assembly at increased speeds.

Another knowledge-based system used in the motor industry is Solstar, developed by Foseco (FS) of the UK to predict the shrinkage that occurs when metals and alloys solidify during casting. The system can deal with complex shapes such as manifolds and cylinder blocks.

Specialist design simulation companies such as Analogy are benefiting from the motor industry's need to check how mechanical and electronic system designs work at an early stage in the development process.

Analogy's Saber Automotive Simulation Package, recently improved, can reduce lead-times by analysing the operation of designs before prototyping, thus reducing the number of design cycles needed.

Another important trend is for motor manufacturers to use 3D solid modelling for designing tools as well as vehicles. Volkswagen was one of the earliest to recognise the potential of Cadcam in this area, having begun seven years ago to develop AWK, a 3D, solids-based system based on Euclid-IS.

The system automates many of the repetitive tasks for tool design, eliminating much of the tedium from making changes.

However, the most significant indirect benefit of 3D modelling in the next few years is likely to be its role in the nascent market for rapid prototyping equipment.

There are at least a dozen rapid prototyping systems under development or being sold throughout the world, although some are in an early phase. But they share one characteristic – a 3D Cad file of a part is converted into thousands of slices and then reassembled as a real object.

The reassembling process varies widely, but the most commercially-developed system is produced by California-based 3D Systems, which uses an ultraviolet laser to trace the shape of a slice on to a resin stored in a vat. As the beam completes each layer, the part is lowered a few thousands of an inch and the process repeated.

Apart from its owner British Aerospace, Rover is believed to be the only industrial company in the UK to have the system. It commissioned 3D Systems' largest model last summer.

The savings in time from the process – known as stereolithography – have been good.

A complex prototype such as an inlet manifold would conventionally have been made by soft-tooling for aluminium, taken some 16 weeks and cost about £22,000 for the tooling.

With stereolithography, a manifold could be run on a testbed engine three weeks after the Cad data was supplied, at a cost of £1,200.

Two other rapid prototyping technologies are available in the UK, laminated object manufacturing from Helisys of the US, and the Solider instant slice curing process from the Israeli/US company Cubital. The latter has been used to produce a complex inlet manifold for Rover.

□ ROBOTS

Machines are now used for tasks beyond spot welding

ROBOTS have become an established part of the vehicle manufacturing scene over the past 15 years. The motor industry accounts for as much as 40 per cent of the 450,000 installed industrial robots worldwide but their use is changing and applications are expanding.

The traditional picture of long lines of robots each making billions of spot welds on car bodies in a working life of eight to 10 years is still true, but only half the story. Those same welding robots are as likely to be grouped in flexible manufacturing cells and capable of handling a wide range of models in quick succession.

At the same time, smaller robots are increasingly being used in engine assembly, where their ability to do quality, repetitive work with a precision of 1/100th of a millimetre is much in demand. Robots are being used in final assembly work and paint spraying, and suppliers hope to be able to develop these markets now that the technology has been proven.

There is an emerging trend for robots to be used in automotive sub-contracting, prompted by the vehicle manufacturers' need to be as confident in the consistency and quality of out-sourced components as for their own work.

The shorter lives of car models, prompted by increased competition in the industry and the Japanese producers' early efforts to reduce product development times, are changing the use and design of robots.

The traditional practice of replacing a robot after two model cycles may have been appropriate when each car model was lasting six to eight years. But with model lives reduced to three to four years, users want to keep their robots for further models, and thus want increased flexibility, according to Dr Axel Gerhardt, a senior board member at the holding company for Kuka, Germany's largest robot supplier.

Many of the latest trends in the use of robotics originated in Japan where labour shortages have spurred much greater penetration of robots into industry overall compared with Europe and the US. But robot suppliers such as ABB Robotics, the largest in Europe, believe the European automotive industry is as enthusiastic a user of robotic automation as its Japanese counterpart.

However, some of the more recent applications of robots are less prevalent in Europe, giving an opportunity to suppliers if they can convince producers of the economic benefits. There are national variations too: the UK is a long way behind the US and the rest of Europe in the use of robots in the paint shop, says Mr Mike Wilson, UK sales and marketing director at GMFanuc Robotics.

The versatility of modern industrial robots for tasks that go beyond spot welding is illustrated by Kuka's involvement in final assembly of the Citroën XM. Following painting, robots dismount the doors and tailgate, with the aid of sensors, for completion on separate trim lines; the cockpit is picked up by robot from an automatic guided vehicle, inserted through the door and then bolted to the body by a second robot.

Robots are used for applying the adhesive sealants and for fitting the glass exactly into the body aperture with the aid of ultrasonic scanners; seats are inserted by robot after measuring the exact position of the body by means of tactile sensors, wheels are mounted and doors and tailgate refitted.

Some of these tasks are difficult for robots because of the nature of final assembly. Robots are having to operate in a less structured environment, says Mr Wilson, and deal with less defined objects such as seats.

Another problem, at least outside Japan, is that labour is available and costs less than in skilled manufacturing areas. So robot suppliers have to find applications that create added value, says Mr Stelio Demark, head of ABB Robotics.

There are still opportunities for greater use of robots further up the production line. Relatively new processes such as laser-cutting and water-jet cutting are likely to become more prevalent, in association with robots, especially for working with plastics and new advanced composites.

Mr Demark sees a substantial increase in automated arc-welding in the automotive industry and sub-suppliers. And Comau, the Italian robotics and systems group, expects some interesting investments in the body area, prompted by the increased need for new models, according to Mr Massimo Mattucci, vice-president for engineering and marketing.

In paint spraying, says Mr Demark, robots have hardly scratched the surface.

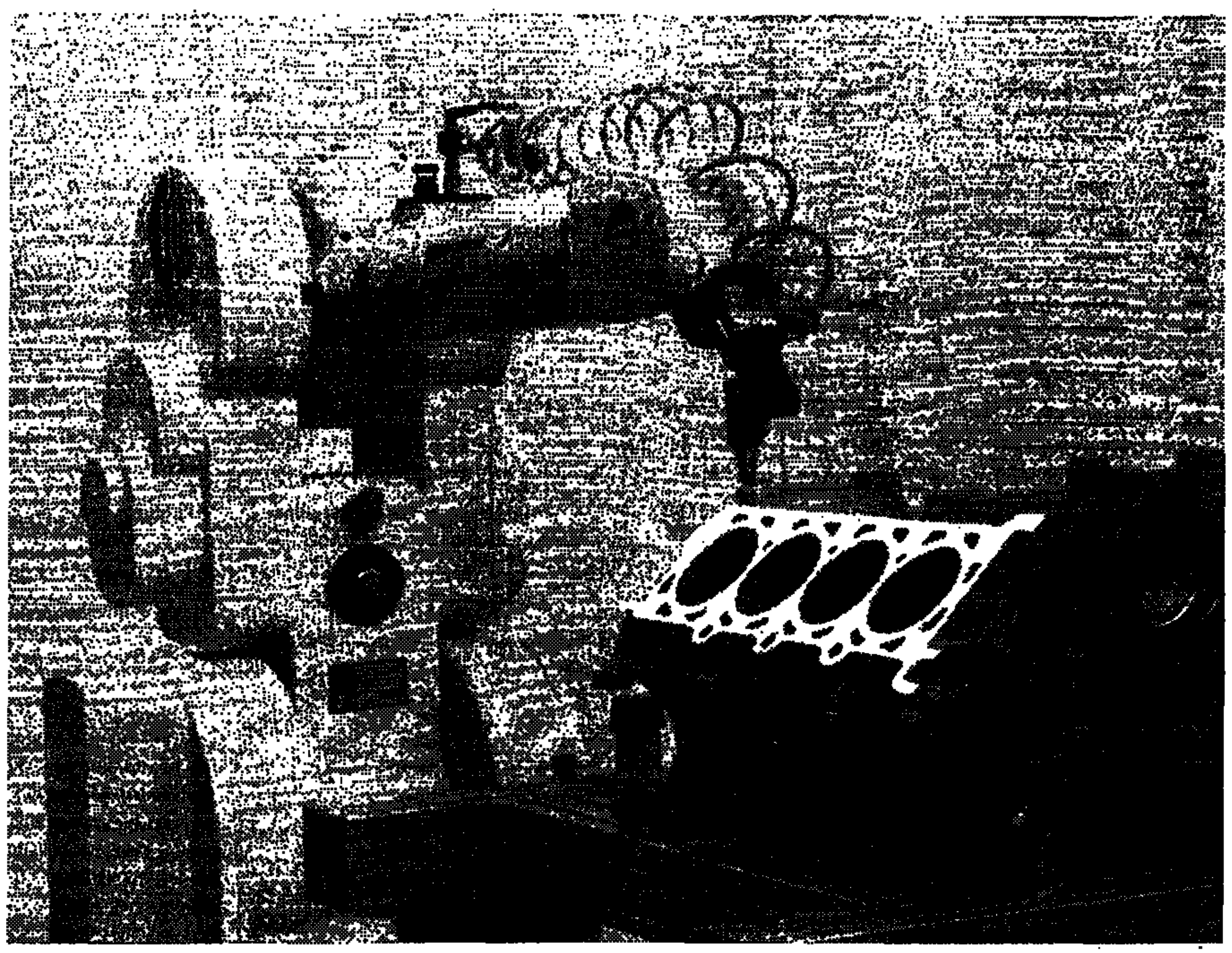
Last year, ABB strengthened its position in the robotic painting market with the acquisition of Graco in the US, but GMFanuc, a US/Japanese concern, and Behr of Germany have strong positions.

The flexibility of robots to handle model changes will be the key to their further implementation in the car body area. In engine and transmission production, robots are becoming better established, and Mr Mattucci suggests a new generation of engines prompted by tougher environmental regulations could be the spur to further investment in robots.

However, an increasing portion of business for robot suppliers seems likely to come from refurbishment of existing robots rather than new purchases as customers seek maximum value from their manufacturing investments.

In the past three or four years, this has been a growing trend of robot refitting and modification in the motor industry, carried out during model changeovers and restoring robots to previous levels of accuracy and productivity.

Andrew Baxter



The motor industry accounts for 40 per cent of the 450,000 installed industrial robots worldwide. Their applications are expanding

Andrew Baxter reports on developments in paints and coatings

New trends and challenges

ENVIRONMENTAL pressures may be increasing on industry as a whole, but few processes are closer to the sharp end of the debate than the motor industry's paint shops.

Based on annual production of 10m cars, European manufacturers are using an estimated 70,000 tons of solvent during the painting processes, the majority of which is released into the atmosphere.

Emission controls are being tightened up, and common EC-wide legislation is expected. But the environmental factor is only one of several trends which makes the paint shop one of the most complex, and rapidly changing, areas of modern vehicle manufacturing.

The need for better-looking and longer-lasting finishes, for a higher level of automation to increase productivity, and more sophisticated control systems to enable greater production flexibility are all increasing the challenges for equipment suppliers.

The major suppliers – Dürr of Germany with its sister company Behr, the Asea Brown Boveri subsidiaries Fläkt and Ransburg, and Taikisha of Japan – are adapting to the growing demand for turnkey packages while keeping abreast of a multi-disciplinary process involving everything from computers to sludge removal systems.

Recent installations in the UK motor industry illustrate the trends clearly. Vauxhall's newly-commissioned £60m paint unit at its Ellesmere Port Astra manufacturing plant has Europe's first operational MAP (Manufacturing and Automation Protocol) 3.0 network. MAP is a means of maintaining efficient, reliable high-speed communications between factory-floor computers.

The plant also has an innovative "flocculation" system, designed to recover paint overspray, developed as an experiment by Air Industrie, a subsidiary of GEC Alsthom, and GM's European Technical Development Centre. Work is continuing on ways to use the recovered paint, perhaps as a filler material in compounded sound deadener pads.

Further south, at Iveco Ford Truck's Langley plant, the Iveco New Cargo line has a fully automated Behr paint spraying system, equipped with four robots and claimed to be the first in Europe to spray a complete cab automatically in a single pass.

The system, designed for frequent colour changes, can handle 16 body styles and 24 colours. Bodies are fed to the spray booth at random and the required style and colour programme called up by an operator on a simple keypad at the entrance to the spray booth. Thereafter, the complete spraying operation is fully automatic and computer controlled.

Pre-treatment ahead of painting is also the target of investment. At Rover's Cowley factory, a new body pre-treatment plant installed by Dürr has replaced the old spray dip system with a new full immersion pre-treatment process, producing better corrosion protection.

Meanwhile, at the luxury end of the industry, Rolls-Royce has installed the latest Behr two-component paint system. Known as 2K, the system mixes precise quantities of paint and hardener immediately before they are applied to the car body.

All these systems offer environmental benefits – the 2K process, for example, requires a lower stoving temperature than typical single component materials and thus consumes less energy.

According to Dürr, the cost of new automotive paint plants will need to increase by 20 per cent, or £1m-£2m, to accommodate new UK emission regulations – operators have until September to submit approved plans to local authorities for complying with the 1990 Environmental Protection Act.

The response to the regulations takes a number of forms, according to Mr John Barlow, Dürr's UK managing director. On the materials side, there is a move away from solvent-based paints to water-based paints – water-based primers have been used for some years.

Solvents are used to get the paint airborne, and their replacement by water-based systems requires new sprayers and a completely new stainless steel plant.

Where solvents are used, paints with higher solid contents have been developed to reduce emissions. This is a further advantage of the 2K process, which has a high solids content of up to 70 per cent.

New paint technologies, such as powder-coating are also being tried, but in this case implementation in car plants is a long way off, says Mr Barlow. The emission problem is solved but the spraying equipment is too wasteful.

Controlling and treating emissions, whether of air-borne solvents, or paint-polluted water, is the other main area where technology is being driven by the emission regulations and tougher rules. This has led to demand for more sophisticated scrubbing and incineration systems, such as catalytic incinerators, and water recycling equipment.

Cedric Ashley on the machine tools industry

Fresh challenges

IN relationship to the vehicle industry, machine tools should not in any way be thought of in isolation, but instead as part of a system. Indeed, it is a complex system going back to the moment of conception of the motor vehicle.

The present "buzz word" is "simultaneous engineering" in which design, development, tooling, manufacture, assembly and quality are all considered together at the same time.

It both reduces the key lead time between between initiation of a project and selling on the market place, and it ensures that the optimum blend of technologies is brought to bear on the complex process of creating a motor car.

In this process, the technology of manufacture is decided, *at least in some detail, at the* same time as the first part is drawn. The most complex element is the body and it is now *possible to go directly from a* computer model to the press tool to manufacture the part.

Normally, there is an intermediate stage *in which a styling model* is created in foam or a special form of very high density wood material. This model may be tweaked by the stylist, *either at the computer* or through traditional methods of reshaping using modelling clay.

The next stage is production of tools for prototype manufacture and finally the production tools. In all these cases, use is made of a three- or five-axis profiling machine. Indeed, the whole process can be handled on the computer to cover the design of the body tools, the jigs, the fixtures, even the production line.

It is even possible to use a computer simulator of the whole process, so that it can be optimised at an early stage.

Quality to a manufacturing engineer is the capability of the production process to produce a part to specification. We now look for a zero defect production process in which every part is produced right every time.

Quality is not a measure of the skill of the individual operator, and indeed the production process is generally organised in such a way that accurate manufacture to specification does not depend on operator skill.

This means that any computer-controlled production machine must not only receive computer-generated information about what it has to do, but also computer read information on acceptable limits and sensors to check and verify that those limits have been met. Much of the technology advance has been in sensor *development*.

There is also considerable interest in the arrangement of machine tools within the factory. In the late sixties, group technology was initiated where groups of machines were put together to manufacture specific parts to minimise transfer time between machines and stock holding. To some extent the machining centres have superceded the six- to 10-machine group of dedicated machines, but the concept is now being developed further in terms of the product cell.

In this concept, an operational unit is formed to produce a specific small family of units such as electric motors, water pumps, etc. This allows minimum stockholding within the unit.

In such a unit, a time lag as short as 12 hours may exist between initiation of demand for a product variation and such a variation being produced at the end of the line.

A further key element in the selection of the production process is flexibility. The speed of product development is such that extensive changes in the product can occur in three- to four-year time spans and these must be accommodated.

At one time, transfer lines had such rigid constraints that design and development was inhibited. We now expect full flexibility from the transfer line to accept both extensive design change and product variation within a short time spell.

There has long been a financial investment and return hierarchy in machine tools starting off at the basic building block, the *CNC* machine such as a lathe, drilling machine or miller.

The next stage is the *machining centre capable of a* variety of operations through multiple tool changes and modes of operation. The Flexible Manufacturing *System (FMS)* effectively links together machining centres and finally we have the dedicated transfer line.

The *trick is to know the* volume break point at which to invest in the next level of machine. These boundaries are continuously moving upwards.

Some recent developments illustrate these points. Vauxhall has just commissioned a new large transfer press at Ellesmere Port which is notable for its rapid changeover of tools.

Tools for the next run are placed on sliding bolsters and are automatically changed at the time, using photo-sensors to ensure correct location with automatic clamping. The computer controls the usual press operation setting up variations and *within 13 minutes a* completely different pressed part can be produced. In the last decade, more than 24 hours would be necessary for a tool change of such complexity.

Adwest has just commissioned a novel machine for producing variable-ratio steering racks using a CNC lathe. By combining movement of six elements, two cams, two angular axes and two linear axes, the complex form was turned rather than ground. Tooling costs were reduced by a *factor of 10* and the cycle-time reduced from five minutes to only two minutes.

Ford in the US is to build a transfer line in conjunction with several unit-type machines to produce Zeta crankshafts. A novel feature of two of the unit machines will be to use rotary broaching to machine the crank pins, as opposed to turning.

Emissions requirements have led Cummins to an improvement in cylinder block machining. The bores are now *being honed with the block* clamped in such a way as to simulate the distortions caused when the cylinder head is bolted into place. This gives improved bore roundness in service and reduces oil consumption and hence particulate emissions.

These examples show some of the challenges which have been met. Computing power for machine tools is falling in cost, but the consumer is demanding even higher standards of the end product of his vehicle than before.

Machines are faster, smarter and more flexible; we expect many more developments in the near future in the world of automation and machine tools. It is recognised by the CBI and many others that this is one of the key areas for new investment if the UK is to retain a viable manufacturing base.

The author is a past chairman of the Automobile Division of the Institution of Mechanical Engineers

A five-axis mill is used to produce an initial styling model

□ FINAL ASSEMBLY

Scope for more machinery

ASK A CAR buyer which bit of his car was most difficult to build and the chances are that he or she will name the engine or the car body.

In fact, the most time-consuming, and therefore expensive, task is when engine, gearbox, suspension and interior trim are placed and fixed in the painted car body – a process known as final assembly.

To please the customer the car company must offer many different options on each basic car.

Apart from different engine sizes and gearboxes, the production line has to cater for a *myriad of differences in interior* trim: colours, fabrics, equipment, and tinted glass.

Take Ford's latest Escort, built at the Halewood plant on Merseyside. There are more than 100 variations in the bumper fitted to this car depending on colour and specification.

Similarly there are up to 90 variations in the body side moulding, 60 variations in the door mirrors, and between 140 and 260 variations in the door trim panels according to the model mix being built at the plant.

The complexity of choosing the right component and fitting it into the right model has left these areas of the factory dominated by men and women, not machines. It has also made this part of car construction the area where, on the surface, greatest efficiency gains should be possible.

The International Motor Vehicle Programme (IVMP) – an international study carried out by the Massachusetts Institute of Technology – found that final assembly accounts for about 15 per cent of the final value of the car, a significant proportion.

Typically in Europe it takes 15 hours of assembly time per car to carry out final assembly, compared with four hours to paint the car and five to weld it together (direct labour only).

By contrast, according to the IMVP, a typical Japanese plant *needs six hours of final* assembly per car, two hours for paint and three hours for body construction – a clear competitive *advantage to the Japanese*.

There is no escape from the complexity of the tasks to be carried out on final assembly. *Customers will continue* wanting more, not fewer, options. And in any case it is not the complexity itself which makes *a factory efficient. The IMVP* study suggested that the factories coping with the most complex cars were also the most *productive, and they were Japanese.*

So what are the solutions to making final assembly more efficient? Needless to say, companies are choosing different ways ahead.

The most obvious answer is *to do to final assembly* what has already been done elsewhere in the car factory: use machines instead of men. *Machines will work flat out all* day every day to uniformly high quality standards. The rising cost of labour makes automation more attractive. And as fewer people want to work in car factories these days, especially in Japan, machines are having to be used, whether cost effective or not.

There is certainly scope for more *machinery*. The proportion of direct steps carried out by automation in Europe is, on average, just 3 per cent. In Japan the equivalent is 7 per cent. The typical European bodyshop has 77 per cent of its action automated, compared with 86 per cent in Japan.

Automation suppliers are confident that they can provide the answers. Mr Kai Wärn, Brussels-based manager of automotive sales support for ABB Robotics, says automation is just becoming cost-effective in final assembly.

He estimates that the cost of robots has fallen by 30 per cent in the past five years while their performance has risen by the same amount over the same period.

Mr Wärn estimates that the real advance in automation will come in the next two to three years as new cars come on stream - having been designed with automation in mind.

Automation can inhibit new designs by forcing engineers to cut costs

But it is worth adding a caveat: design a car for easier automation, and you make it easier for a man to assemble, too. Ford looked long and hard at automating final assembly of the Sierra replacement, the CDW27, and appears to have ruled it out as still not cost effective.

But there are companies that have automated already. Fiat builds its Tipo car on highly automated lines at Cassino in Italy. The factory has more than 100 computers, 400 robots, 24 lasers, more than 1200 wire guided trollies and 480 automatic guided vehicles. It is the most highly automated factory in the world.

Similarly, Volkswagen builds the Golf on highly-automated lines, while Citroën uses automation to carry out large numbers of final assembly tasks on the XM executive car at Rennes in France.

But there are constraints in such an approach. The high *cost of sophisticated automation* systems makes high production volume a must. Yet the complexity of the systems can mean frequent breakdowns, adding to indirect costs, as systems engineers wrestle with the problems.

Professor Dan Jones of Cardiff Business School says the *Cassino* plant will only be cost-effective if it runs at full capacity. And that in turn means Fiat will need another less efficient car plant elsewhere capable of turning Tipo production on and off according to fluctuating demand.

Similarly, automation can inhibit new model design by forcing engineers to cut costs by using tooling installed for the old model. The Volkswagen Golf is often cited as a case in point.

Instead of trying to replace the workforce, some companies are turning to automation as a means of using people more effectively. Citroën automates tasks that are ergonomically awkward. And Jones suggests that automation should be used to tackle the simple repetitive tasks, not the labour-intensive pinchpoints on a production line where workforce numbers may be reduced but the automation left with an impossibly complicated job – and the people with an impossibly boring set of simple jobs.

Instead of being concerned with machines, some managers are turning to two sets of people for help: the workforce and the supplier.

Unlocking the skill in the workforce can be extremely effective. Rover achieved huge improvements to productivity and quality by asking its workforce to examine prototypes of the new Rover 800 executive car before it went into production. Similarly, Nissan's car factory in Sunderland is one of the least automated but most efficient in Europe because of the management skill in running the factory efficiently.

All car companies will simplify their own tasks by asking suppliers to do more. Instead of assembling cars under one roof, car companies will receive built-up modules such as dashboards, seats or mouldings ready for installation into the car.

But whichever route a company chooses it must get the *cost analysis* right. *Automation* can be hugely expensive. But so is failure to use the workforce.

Chris Barrie

□ RECYCLING

Focus on use of plastics

ONE rarely visits a vehicle manufacturer these days without being given a briefing on recycling. For the most part, such briefings follow a standard pattern as least where content is concerned.

The starting point is that vehicles are already more efficiently recycled than any other consumer durable, with up to 75 per cent of their content by weight already reclaimed and used again. That 75 per cent, it is then admitted, roughly corresponds *to the metallic content*.

The focus of attention is now the remaining 25 per cent, and *in particular that proportion of* it which is plastic.

The standard presentation tends to make three points. First, plastics are now carefully chosen with an eye to recycling. Polypropylene, which is easily re-used, has *suddenly become the material* of choice for plastic bumper covers, and the point is invariably made that far fewer different *plastics are being used in* manufacture.

Second, all plastic parts above a certain weight – usually either 50g or 100g – are marked to show exactly what material they are made from. This is to overcome a notable drawback of plastic materials: they are difficult to identify.

Third, body designers now take care to ensure that plastic components can be easily *removed for recycling and due* consideration is being given to the best way of re-using such components.

Here, opinion is split between the "like-for-like" approach which insists that plastic components must be *capable of re-emerging in the* same form, and the "cascade" philosophy which suggests it is equally effective and less *expensive to use recovered* plastic for successively less demanding applications on each occasion.

*The cascade system envis*ages taking a high quality, visible application such as a bumper cover and turning it *perhaps into invisible wheel-arch liners*, then into an sound-deadening pad and finally into a packing-piece or container for a new production part.

Given an average car life of 12 years (and rising), this would put plastic to good use for up to half a century.

The purists, however, argue that this is not good enough. Volkswagen, for example, is determined to turn bumper *covers into bumper covers*; by no means easily achieved, since quality of surface finish is the first quality to suffer when *plastic from such "visible"* applications is recycled.

There is, in any case, no question that concerns over *recycling have caused* vehicle designers to reconsider their use of plastics. Not only has the number of different *plastics in a vehicle body been* greatly reduced, but the actual proportion of plastic is coming down for the first time in many years.

In particular, designers are shying away from high-strength plastic composites – mainly glass-reinforced materials – because the only way they can currently be recycled is to shred them, at some cost, and send them *directly to the base of the "cascade"*.

This in turn has set back the cause of lightweight, rust-free *plastic body panels because* only the composite materials have the mechanical strength necessary, especially for large *horizontal panels such as the* roof and bonnet.

The particular concern over plastics should not, however, be *allowed to overshadow* the mechanics of vehicle recycling in general. Several manufacturers, including BMW and VW *in Germany, PSA and Renault* in France and Rover in the UK, have set up pilot projects for the recovery and disposal of *scrapped vehicles*.

Such operations highlight the fact that many of the non-metallic components of a *vehicle including the tyres*, glass, fluids (oil, coolant, and brake fluid, and in some cases the chlorofluorocarbons-laden *air conditioning refrigerant) as* well as the several kilograms of dirt accumulated beneath any vehicle during its life, all pose problems *from the recycl*ing point of view.

The recycling projects now under way all work on the principle of recovering higher-value and "difficult" items more or less intact before *sending the rest of the body to be* granulated. The residue is sorted into various grades of re-useable material and the *inevitable remainder is incinerated* at very high temperature into a dense ash which can be used directly as hardcore or *incorporated into cement. The* technology of material sorting is one of the more closely guarded secrets of such *operations; when PSA held a* press presentation at its pilot recycling plant near Lyons, that section of the "works" was *shielded from view, although* samples of impressively well-sorted debris were on display.

There is no doubt that concern over recycling has posed another constraint on vehicle designers at a time when most of them probably thought they already had enough to be going on with. Their choice of materials has become more restricted and they are having to give much more thought to the question of easy disassembly at the end of the vehicle's life.

The signs are, however, that ingenuity will overcome these constraints without affecting the appearance of the vehicle itself.

Jeff Daniels

Chris Barrie looks at materials handling

Rapidly evolving

ABOUT 10,000 components make up an average car and *they all have to be brought to* the right area of the production line at the right time.

Once on the production line, *the components have to be* moved from one assembly station to the next at a given speed and often be positioned with great accuracy.

The materials handling equipment designed to do this ferrying has evolved rapidly as *the demands made of it have* become greater. Production lines are having to make a greater variety of car models, *requiring a more complex mix* of parts. Simultaneously, production managers are reducing stock holdings, demanding more frequent delivery to the lineside to more precise timing.

The traditional method of transferring parts to the line is to use people, *forklift* trucks and towed trollies. The system needs to be flexible and fast, and it is hard to foresee how sophisticated automation will replace it. But the other aspects of car production are more heavily automated. There are three types of equipment in widespread use:

- Automatic guided vehicles. AGVs were bought in large numbers five years ago by some companies, especially *General Motors and* Volvo. They are flexible, quiet and extremely effective in certain applications. But the surge of *interest in the early days of the* technology has led to a reappraisal of AGV use within the car industry – and some disen*chantment*.

Volvo's engine factory in Skövde has more than 260 AGVs. According to Mr Greger *Lundesjo, managing director of* supplier BT Rolatruc Systems, the application suits the technology because the Swedish place a high value on working environment and because Volvo has a sound understanding of the technology.

AGVs are expensive, but the numbers can be matched to production increases to avoid high start-up costs. AGVs can also be effective when used for complex operations that are best carried out off the main production line: Mercedes-Benz uses AGVs for certain assembly operations, feeding the completed assemblies back into the main line which runs free of potential interruptions.

- Chain conveyors. The traditional method of moving car bodies down a production line will continue for years despite competition from more sophisticated alternatives. The Japanese car companies are replacing many basic conveyors to reduce noise and improve *working conditions to offset* recruitment difficulties. But cost and noise reduction measures will ensure this type of *conveyor is bought by many* plants in future.
- Self-propelled monorail carriers. More expensive than tra*ditional conveyors, these lines* will deliver large components or car bodies to a predetermined pattern. The parts or bodies travel on powered trollies, their movement tracked by computer.

The Japanese car factories are turning to these systems to replace old chain conveyors. The systems are often used to feed a principal production line that is less flexible and has to be kept running at constant speed.

Because of the sophistication of the production process and different priorities, car companies will choose a mix of materials handling equipment in future rather than be wooed by one-stop solutions.

The author is the editor of The Engineer